

DuPage County Emergency Telephone System Board

Component Unit Annual Financial Report

November 30, 2014

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Statements	
Statement of Net Position and Governmental Funds Balance Sheet	9
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Net Position	10
Notes to the Financial Statements	11-17
Required Supplemental Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	18
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	19

Independent Auditor's Report

Independent Auditor's Report

The Honorable Chairman
and Members of the Board
DuPage County Emergency Telephone System Board

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the DuPage County Emergency Telephone System Board, a component unit of DuPage County, Illinois, as of and for the year ended November 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable Chairman
and Members of the Board
DuPage County Emergency Telephone System Board
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the DuPage County Emergency Telephone System Board as of November 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The 2013 financial statements, before they were restated for the matter discussed in Note 7, were audited by other auditors and their report thereon, dated August 13, 2014, expressed an unmodified opinion. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, and budgetary comparison information on pages 18 and 19, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the 2014 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 2014 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The 2013 required supplementary information was derived from the 2013 financial statements, before they were restated for the matters discussed in Note 7, and other auditors in their report dated August 13, 2014, stated that they applied certain limited procedures to the 2013 required supplementary information in accordance with auditing standards generally accepted in the United States of America. These procedures consisted of inquiries of management about the methods of preparing the 2013 information and comparing the 2013 information for consistency with management's responses to inquiries, the 2013 basic financial statements and other knowledge obtained during their audit of the 2013 basic financial statements. They did not express an opinion or provide any assurance on the 2013 supplementary information because the limited procedures did not provide them with sufficient evidence to express an opinion or provide any assurance.

BKD, LLP

Oakbrook Terrace, Illinois
October 1, 2015

Management's Discussion and Analysis

EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

General Information

The Emergency Telephone System Board of DuPage County (hereinafter referred to as “the Board”) was established pursuant to a referendum passed on April 4, 1989. The Board serves the residents of DuPage County and those DuPage County municipalities that include territory within Cook, Kane and Will Counties, with the exception of the City of Aurora, Village of Burr Ridge and the City of Naperville. These local municipalities have established their own emergency telephone system boards.

The participating voters of DuPage County and portions of Cook, Kane and Will Counties approved a fifty cent (\$0.50) surcharge per wireline telephone network connection for the implementation of an Enhanced 9-1-1 system. While the rate of the surcharge is 50 cents, it should be noted that 3 cents is withheld for administration by the Competitive Local Exchange Carrier (“CLEC” or “Carrier”) and 15 cents earmarked for selective routing services.

The remaining surcharge that is collected supports costs of the personnel, maintenance and replacement infrastructure and system applications that make up the DuPage ETSB E9-1-1 system, including Computer Aided Dispatch and Call Handling Equipment at the eight (8) Public Safety Answering Points (PSAPs).

Since 2009, the Board has facilitated consolidation of its 9-1-1 services by reducing the number of PSAPs from nineteen (19) to eight (8).

In response to increasing wireless use, the Illinois General Assembly enacted a Wireless 9-1-1 Surcharge in the amount of 75 cents per wireless network connection. The surcharge is remitted by the wireless carriers to the State of Illinois. The Illinois Comptroller, based on zip codes, disburses 57 cents per wireless network connection on a monthly basis to the Board. The receipt of wireless surcharge is approximately four months in arrears based on this process.

This Management’s Discussion and Analysis is a required supplementary element of Governmental Accounting Standards Board (GASB) Statement No. 34. The purpose is to provide an overview of the financial activities of the Board on currently known facts, decisions, or conditions.

Financial Highlights

- The Board’s assets exceed its liabilities by \$44,910,133 as of November 30, 2014.
- Capital assets of \$19,622,942, (net of accumulated depreciation and including construction in progress), include 9-1-1 telephone equipment for the public safety answering points (PSAPs), one computer aided dispatch (CAD) system running on two platforms, the current DuPage Emergency Dispatch Interoperable Radio Backup System (DEDIRS) and a records management system.
- Unrestricted net assets of \$5,467,723 are available to maintain the continuing operations of the Board.
- As a result of the current year operations, net position totals \$44,910,133, which is an increase of \$796,416 from the previous year, as restated.

**EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

USING THE FINANCIAL SECTION OF THE ANNUAL REPORT

Government-wide and fund financial statements are presented in a combined format in the basic financial statements.

The government-wide financial statements focus on the Board as a whole. This presentation is designed to provide readers with a broad overview of the Board's finances in a manner similar to private-sector business. They consist of a Statement of Net Position and a Statement of Activities. These financial statements are prepared using the accrual basis of accounting, which is described in the Notes to the Financial Statements.

The Statement of Net Position and Governmental Funds Balance Sheet presents information on the Board's assets and liabilities arising from cash and other transactions, with the difference between the two reported as net position/fund balances. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances/Net Position presents information showing how the Board's net assets/fund balances changed during the most recent fiscal year. All changes in net position are reported when the underlying event occurs, regardless of the timing of related cash flows.

Fund Financial Statements

Governmental Funds

Fund financial statements provide additional detail about Board funds. These financial statements are prepared using the modified accrual basis of accounting, which is described in the Notes to the Financial Statements. Both the General and Special Revenue Funds are classified as governmental funds. Governmental funds generally focus on near-term financial resources and fund balances. Such information may be useful in evaluating financial requirements in the near term.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and also the fund financial statements.

**FINANCIAL ANALYSIS OF THE EMERGENCY TELEPHONE
SYSTEM BOARD OF DUPAGE COUNTY AS A WHOLE**

Total Governmental Fund Balances of \$24,147,975 include \$456,344 classified as non-spendable for prepaid items, \$19,819,468 is restricted, while \$3,872,163 remained as unassigned at November 30, 2014.

The Statement of Net Position and Statement of Activities on pages 9 and 10 are presented on the accrual basis of accounting. All costs are presented including depreciation, which is shown as an adjustment. The table on page 6 summarizes the changes in the Board's total fund balance and net position for the fiscal years ending November 30, 2014 and 2013, as restated.

**EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Assets

During fiscal 2014, capital assets decreased by \$1,555,322. This decrease is due to the combined effect of the current year depreciation expense of \$2,768,490, net of current year additions of \$1,213,168.

See Note 1.D for further capital asset information.

Revenue

The Board receives the majority of its operating revenue from the wireline and wireless telephone surcharge imposed on subscribers' bills and the interest accrued on the surcharge. Surcharge and interest from wireless services are reported in the Special Revenue Fund.

Expenditures

Contractual Service is the largest expenditure category for the Board. This category included professional service contracts, 9-1-1 tariff paid to provide enhanced 9-1-1 service for all wireline and wireless customers; and the cost of all telephony and network connections associated with the operation and maintenance of these systems.

Variations between Original and Final Budgets

Actual amounts for revenue and expenditures were within the budget as approved by the Board or within anticipated expectations of management for the fiscal year ending November 30, 2014, along with various budget adjustments made during the fiscal year. Budgetary comparisons can be found on pages 18 and 19 of the report.

Restatement of Comparative Information

Certain amounts relating to the 2013 financial statements were restated as described in Note 7 to the financial statements. These changes have been reflected as adjustments in the comparative 2013 Statements of Net Position and Activities shown below.

**EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Summary of Net Position

GOVERNMENTAL FUNDS BALANCE SHEET AND
STATEMENT OF NET POSITION
November 30, 2014 and 2013

	Governmental Funds		Statement of Net Position	
	Total	Adjustments	2014	2013 as Restated
Assets				
Current Assets	\$ 25,893,831	227,066	26,120,897	24,477,959
Construction in Progress		656,740	656,740	187,334
Capital Assets, Net of Accumulated Depreciation		18,966,202	18,966,202	20,990,930
Total Assets	\$ 25,893,831	19,850,008	45,743,839	45,656,223
Liabilities				
Current Liabilities	\$ 790,221	13,046	803,267	1,529,111
Noncurrent Liabilities	-	30,439	30,439	13,395
Total Liabilities	790,221	43,485	833,706	1,542,506
Deferred Inflows of Resources	955,635	(955,635)	-	-
Fund Balances				
Nonspendable	456,344	(456,344)		
Restricted	19,819,468	(19,819,468)		
Unassigned	3,872,163	(3,872,163)		
Total Fund Balances	24,147,975	(24,147,975)	-	-
Total Liabilities, Deferred Inflows and Fund Balances	\$ 24,938,196			
Net Position				
Net Investment in Capital Assets		19,622,942	19,622,942	21,178,264
Restricted		19,819,468	19,819,468	18,130,195
Unrestricted		5,467,723	5,467,723	4,805,258
Total Net Position		19,806,523	44,910,133	44,113,717

**EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Summary of Changes in Net Position

OVERVIEW OF THE STATEMENT OF ACTIVITIES
For the Years Ended November 30, 2014 and 2013

	2014		2013 - as restated	
	Governmental Funds	% of Revenues	Governmental Funds	% of Revenues
Revenues				
Surcharge and Other Fees	\$ 7,916,810	97.9	8,045,506	83.0
Intergovernmental Revenue	162,648	2.0	1,635,701	16.9
Interest	8,872	0.1	16,615	0.2
Miscellaneous	494		316	
Total Revenues	8,088,824	100.0	9,698,138	100.0
Expenditures				
Current				
Public Safety	5,235,991	64.7	4,590,207	47.3
Capital Outlay	316,525	3.9	1,360,608	14.0
Total Expenditures	5,552,516	68.6	5,950,815	61.4
Change in Fund Balance	2,536,308	31.4	3,747,323	38.6
Adjustments*				
Depreciation	(2,768,490)		(2,669,806)	
Adjustment for Intergovernmental Transfers	(162,648)		(1,635,701)	
Adjustment for Surcharge Revenue	58,634		55,101	
Adjustment for Capitalized Assets	1,156,961		(1,396,530)	
Adjustment for Compensated Absences	(24,349)		(1,200)	
Change in Net Position	\$ 796,416		(1,900,813)	

* Governmental funds report purchases of assets as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Further, the depreciated value of capital assets transferred to other governments is reported as a cost upon the transfer. Accrued compensated absences do not require the use of current assets and, therefore, are not reported in the governmental funds.

Economic Conditions

The Board primarily operates on wireline and wireless surcharge revenue. The Board is affected by changes in telecommunications technology and the current economic conditions. The surcharge revenue decrease in the wireline fund was 3.8% and the surcharge revenue decrease in the wireless fund was 1.2%, from fiscal year ending November 30, 2013, (as restated) compared with 2014. It should be noted that the wireless revenue comparison does not include surplus payments that are received from the carrier side of the state fund. In 2014, no surplus payments were disbursed from the carrier side of the state 911 surcharge fund to the ETSB's.

**EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As surplus payments are not always made by the State of Illinois, the comparison was done on actual wireless surcharge received.

The wireline surcharge is determined by referendum. The current surcharge is \$.50. This amount is the lowest within the State, with a range of \$0.50 to \$5.00.

In Fiscal Year 2014, with respect to wireless surcharge, the most significant issue for the approximately \$5 million annually received by this fund is the sunset of this statute in 2013. In May of 2013, the General Assembly approved an extension of the sunset to July of 2014. The General Assembly also created a 9-1-1 Services Advisory Board which was tasked with determining the costs necessary for every 9-1-1 center to adequately function and to make recommendations for consolidation. The report created by the 9-1-1 Services Advisory Board has long and short term recommendations. While the report indicated costs necessary to adequately function, there is still a debate as to whether or not wireless surcharge should be utilized for all of the costs of a modern PSAP. Approximately twenty percent (20%) of the costs to adequately function are born by the Board. The remaining eighty percent (80%) of these costs are carried by local law enforcement and County Sheriff's budgets.

In addition, the carrier portion of the wireless fund has been periodically swept by the Governor. The result of these sweeps is twofold: 1) it reduces any surplus payments made to the Board and 2) the sweep makes the Board and its users ineligible for certain telecom federal grants for certain time periods.

With reduction of PSAPs over the last five years to the current eight (8), it is anticipated that the Board will begin to recognize cost savings with the replacement of major systems in future fiscal years. Immediate cost savings are not significant due to the cost to decommission equipment, penalties for cancellation of existing contracts and costs to migrate agencies to other PSAPs.

**CONTACTING THE EMERGENCY TELEPHONE SYSTEM BOARD
OF DUPAGE COUNTY'S ADMINISTRATION**

This financial report is designed to provide a general overview of the Board finances, comply with finance-related laws and regulations, and demonstrate the Board's commitment to public accountability. Questions about this report or the request for additional information should be sent to:

Emergency Telephone System Board of DuPage County
421 N. County Farm Road
Wheaton, Illinois 60187

Basic Statements

DUPAGE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
(A COMPONENT UNIT OF DUPAGE COUNTY, ILLINOIS)

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS
BALANCE SHEET

NOVEMBER 30, 2014

	Governmental Fund Types			Adjustments	Statement of Net Position
	General Fund	Special Revenue Fund	Total		
Assets					
Cash and Certificates of Deposit	\$ 4,392,227	18,932,809	23,325,036		23,325,036
Receivables					
Due from Other Governments				227,066	227,066
Surcharge Fees	187,905	1,924,546	2,112,451		2,112,451
Prepays	71,202	385,142	456,344		456,344
	<u>4,651,334</u>	<u>21,242,497</u>	<u>25,893,831</u>	<u>227,066</u>	<u>26,120,897</u>
Construction in Progress				656,740	656,740
Capital Assets, Net of Accumulated Depreciation				<u>18,966,202</u>	<u>18,966,202</u>
Total Assets	<u>\$ 4,651,334</u>	<u>21,242,497</u>	<u>25,893,831</u>	<u>19,850,008</u>	<u>45,743,839</u>
Liabilities					
Accounts Payable	\$ 271,457	82,252	353,709		353,709
Accrued Payroll	7,128		7,128		7,128
Due to DuPage County	429,384		429,384		429,384
Accrued Compensated Absences - Current				13,046	13,046
Accrued Compensated Absences - Noncurrent				<u>30,439</u>	<u>30,439</u>
Total Liabilities	<u>707,969</u>	<u>82,252</u>	<u>790,221</u>	<u>43,485</u>	<u>833,706</u>
Deferred Inflows of Resources					
Unearned Revenue - Surcharge Fees		955,635	955,635	(955,635)	
Fund Balances					
Nonspendable					
Prepays	71,202	385,142	456,344	(456,344)	
Restricted		19,819,468	19,819,468	(19,819,468)	
Unassigned	<u>3,872,163</u>		<u>3,872,163</u>	<u>(3,872,163)</u>	
	<u>3,943,365</u>	<u>20,204,610</u>	<u>24,147,975</u>	<u>(24,147,975)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,651,334</u>	<u>21,242,497</u>	<u>25,893,831</u>		
Net Position					
Net Investment in Capital Assets				19,622,942	19,622,942
Restricted				19,819,468	19,819,468
Unrestricted				<u>5,467,723</u>	<u>5,467,723</u>
Total Net Position				<u>20,762,158</u>	<u>44,910,133</u>

DUPAGE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
(A COMPONENT UNIT OF DUPAGE COUNTY, ILLINOIS)

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES/NET POSITION

FOR THE YEAR ENDED NOVEMBER 30, 2014

	Governmental Fund Types			Adjustments	Statement of Activities
	General Fund	Special Revenue Fund	Total		
Revenues					
Surcharge Fees	\$ 2,343,252	5,410,959	7,754,211	58,634	7,812,845
Other Fees	162,599		162,599		162,599
Intergovernmental Revenue		162,648	162,648	(162,648)	
Interest	1,514	7,358	8,872		8,872
Miscellaneous	494		494		494
Total Revenues	<u>2,507,859</u>	<u>5,580,965</u>	<u>8,088,824</u>	<u>(104,014)</u>	<u>7,984,810</u>
Expenditures/Expenses					
Current					
Public Safety	2,867,318	2,368,673	5,235,991	(816,087)	4,419,904
Depreciation				2,768,490	2,768,490
Capital Outlay	35,449	281,076	316,525	(316,525)	
Total Expenditures	<u>2,902,767</u>	<u>2,649,749</u>	<u>5,552,516</u>	<u>1,635,878</u>	<u>7,188,394</u>
Change in Fund Balances/Net Position	<u>(394,908)</u>	<u>2,931,216</u>	<u>2,536,308</u>	<u>(1,739,892)</u>	<u>796,416</u>
Fund Balances/Net Position					
Beginning of Year - as Previously Reported	4,235,826	17,455,886	21,691,712	21,441,722	43,133,434
Restatements	102,447	(182,492)	(80,045)	1,060,328	980,283
Beginning of Year, as Restated	<u>4,338,273</u>	<u>17,273,394</u>	<u>21,611,667</u>	<u>22,502,050</u>	<u>44,113,717</u>
End of Year	<u>\$ 3,943,365</u>	<u>20,204,610</u>	<u>24,147,975</u>	<u>20,762,158</u>	<u>44,910,133</u>

DUPAGE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
(A COMPONENT UNIT OF DUPAGE COUNTY, ILLINOIS)

NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014

1. Summary of Significant Accounting Policies

The financial statements of the DuPage County Emergency Telephone System Board (Board), a component unit of DuPage County, Illinois, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Description of the Reporting Entity

The DuPage County Emergency Telephone System Board was established on June 13, 1989, pursuant to the "Emergency Telephone System Act" (50 ILCS 750/15.4). The Board operates under an amended by-law agreement dated December 9, 2008.

The Board operates under the direction of the Board of Representatives. In evaluating how to define the Board for financial reporting purposes, management has considered potential component units as required by Governmental Accounting Standards Board Statement No. 14. This statement requires that any entity which is financially accountable (as defined) to the Board should be included in the financial reporting entity. Based upon those criteria, there are no potential component units to be included in these financial statements. The Board itself is a component unit of DuPage County, Illinois.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Board are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The Board has the following fund type:

Governmental Fund Types -

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a fund liability is incurred.

Surcharges for emergency telephone service collected by the State of Illinois for service during the fiscal year not distributed to the Board at fiscal year end are considered available and are, therefore, recognized as revenue.

DUPAGE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
(A COMPONENT UNIT OF DUPAGE COUNTY, ILLINOIS)

NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014

1. Summary of Significant Accounting Policies (Cont.)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Cont.)

The basic financial statements also include, in a columnar format, the government-wide financial statements including the Statement of Net Position and Statement of Activities. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Accordingly, adjustments are required to convert the fund financial statements which use the current financial resources focus. These adjustments consist of differences in revenue recognition, reporting capital assets and certain accrued compensated absences. Acquisition or construction of long-term capital assets are shown as expenditures of the funds, but are reported on the Statement of Net Position and depreciated over estimated useful lives in the Statement of Activities. See Note 4 for a description of these adjustments.

Governmental funds include the following fund types:

The *General Fund* accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Special Revenue Fund* accounts for the Emergency Telephone System Board wireless surcharge fees. The fees are remitted to the State of Illinois by the wireless companies. The State then distributes the fees to the appropriate emergency telephone system board. The resources are used to acquire equipment for wireless emergency phone service.

C. Budgetary Data

Formal budgetary integration is employed as a management control procedure during the year for the General and Special Revenue Funds, for which annual budgets are legally required to be adopted. For budgetary purposes, the modified accrual basis of accounting is followed by the Board. The budget is prepared by fund and department, and is based on information for the past year, current year estimates and requested appropriation for the next fiscal year.

Revisions to the budget are made in accordance with the Illinois Compiled Statutes, requiring Emergency Telephone System Board approval for transfers between budget line items and County Board approval for amendments to total appropriations. There were no changes to the total appropriation for the year ended November 30, 2014.

Fiscal control is exercised at the line item level to insure that disbursements plus outstanding encumbrances do not exceed available budgeted amounts. Line items are defined as specific objects of expenditure, the lowest level of identification.

Budgetary control is exercised by establishing and monitoring expenditures and encumbrances at the line item level. At the end of the fiscal year, unexpended appropriations automatically lapse.

DUPAGE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
(A COMPONENT UNIT OF DUPAGE COUNTY, ILLINOIS)

NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014

1. Summary of Significant Accounting Policies (Cont.)

D. Capital Assets

Capital assets, which include equipment used in operations, are reported as governmental activities in the government-wide financial statements. Capital assets are determined by the Board as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Equipment is depreciated using the straight-line method and a useful life of 3-10 years.

	Beginning Balance (as Restated)	Increases	Transfers	Ending Balance
Construction in Progress	\$ 187,334	656,740	(187,334)	656,740
Capital Assets Being Depreciated				
Equipment	38,687,189	556,428	187,334	39,430,951
Less Accumulated Depreciation	17,696,259	2,768,490		20,464,749
Capital Assets, Net	<u>\$ 21,178,264</u>	<u>(1,555,322)</u>	<u>-</u>	<u>19,622,942</u>

E. Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

F. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

DUPAGE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
(A COMPONENT UNIT OF DUPAGE COUNTY, ILLINOIS)

NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014

1. Summary of Significant Accounting Policies (Cont.)

G. Deferred Outflows/Inflows of Resources

The Board adopted Governmental Accounting Standards No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB No. 63). GASB No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

The Board reports deferred outflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board does not have any deferred outflows as of November 30, 2014.

The Board reports deferred inflows of resources on its statement of net position and governmental funds balance sheet. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board reports unavailable surcharge fees in this category in the governmental funds financial statements.

H. Compensated Absences

Vested or accumulated vacation, sick leave and compensatory time are reported as expenditures and a fund liability of the governmental fund that will pay it once retirement or separation has occurred. Vested or accumulated vacation, sick leave, compensatory time and employee retention incentives of governmental activities are recorded as an expense and liability as the benefits accrue to employees.

I. Fund Balances/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose or externally imposed by outside entities. None of the restricted fund balances result from enabling legislation adopted by the Board. Committed fund balance, if any, is constrained by formal actions of the Board, which is considered the Board's highest level of decision making authority. Formal actions include ordinances approved by the Board. Assigned fund balance, if any, represents amounts constrained by the Board's intent to use them for a specific purpose. Any residual fund balance of the General Fund is reported as unassigned. The Board's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the Board considers committed funds to be expended first followed by assigned and then unassigned funds.

DUPAGE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
(A COMPONENT UNIT OF DUPAGE COUNTY, ILLINOIS)

NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014

2. Cash and Certificates of Deposit

Permitted Deposits and Investments - Statutes authorize the Board to make deposits/investments in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services and the Illinois Funds Money Market Fund. Deposits are held by the DuPage County Treasurer and are thus subject to County investment policies.

Deposits - At November 30, 2014, the carrying amount of the Board's deposits totaled \$23,325,036 and the bank balances totaled \$23,312,712. As of November 30, 2014, the entire bank balance was insured or collateralized.

3. Self-Insurance

The Board participates in the County's self-insurance program for general liability and workers' compensation. The Board has also purchased excess liability coverage through a private insurance carrier.

4. Adjustments

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the Board as a whole.

Due from Other Governments represents amounts to be collected for purchase of equipment that was transferred to those agencies. These amounts were not collected within 60 days of the fiscal year, and thus are not recognized in the fund financial statements. However, the Statement of Net Position does include this amount as a reduction to capital assets and a related receivable.

Accrued compensated absences do not require the use of current assets, and therefore, are not reported in the governmental funds. The Statement of Net Position includes a liability of \$43,485 for accrued compensated absences of which \$13,046 is a current liability. The Statement of Activities includes the related expense of \$24,349, related to the change in the accrual.

Fund Balance of Governmental Funds	\$ 24,147,975
Recognition of Due from Other Governments	227,066
Cost of Capital Assets - Net of Accumulated Depreciation of \$20,464,749	19,622,942
Recognition of Unavailable Revenue	955,635
Accrued Compensated Absences	<u>(43,485)</u>
 Net Position	 <u><u>\$ 44,910,133</u></u>

DUPAGE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
(A COMPONENT UNIT OF DUPAGE COUNTY, ILLINOIS)

NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014

4. Adjustments (Cont.)

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.

Change in Fund Balances	\$ 2,536,308
Surcharge Fee Revenue Earned	58,634
Intergovernmental Revenue, Net of Cost of Transfer	(162,648)
Capital Asset Additions	1,156,961
Depreciation Expense	(2,768,490)
Change in Compensated Absences	<u>(24,349)</u>
 Change in Net Position	 <u><u>\$ 796,416</u></u>

5. Commitments

The DuPage County Emergency Telephone System Board has entered into the following Communications System Agreements:

	Original Contract Date	Contract Amount	Amount Expended	Amount Remaining
StarCom Radio Enhancements	September 30, 2014	\$ 1,876,400	656,740	1,219,660
Priority Dispatch	July 1, 2014	1,777,576	533,273	1,244,303
		<u>\$ 3,653,976</u>	<u>\$ 1,190,013</u>	<u>\$ 2,463,963</u>

6. Litigation

The Board is party to various legal proceedings arising out of the normal course of business. The entity believes that there is no proceeding, either threatened or pending, against the entity that could result in a material adverse effect on the results of operations or the financial condition of the entity.

DUPAGE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
(A COMPONENT UNIT OF DUPAGE COUNTY, ILLINOIS)

NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014

7. Restatements

Fund balances of the General and Special Revenue Funds, and Net Position of Governmental Activities at November 30, 2013, have been restated to correct for errors as follows:

Restatement for Governmental Fund Financial Statements

Beginning General Fund Balance, as Previously Reported	\$ 4,235,826
Record Additional Surcharge Fee Revenue - Prior to 2013	93,904
Record Additional Surcharge Fee Revenue - 2013	8,543
	102,447
Beginning General Fund Balance, as Restated	\$ 4,338,273
Beginning Special Revenue Fund Balance - as Previously Reported	\$ 17,455,886
Record Expenditures Not Accrued	(182,492)
Beginning Special Revenue Fund Balance - as Restated	\$ 17,273,394

Restatement for Government-wide Financial Statements

Beginning Net Position - as Previously Reported	\$ 43,133,434
Record Additional Surcharge Fee Revenue	897,001
Record Additional Capital Assets	163,327
Record Effect of General Fund Restatements	102,447
Record Effect of Special Revenue Fund Restatements	(182,492)
Beginning Net Position - as Restated	\$ 44,113,717

Required Supplemental Information

DUPAGE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
(A COMPONENT UNIT OF DUPAGE COUNTY, ILLINOIS)
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FOR THE YEAR ENDED NOVEMBER 30, 2014

	2014			Over (Under) Final Budget	2013 Actual as Restated
	Original Budget	Final Budget	Actual		
Revenues					
Surcharge Fees	\$ 2,250,000	2,250,000	2,343,252	93,252	2,435,586
Other Fees	175,839	175,839	162,599	(13,240)	132,658
Interest			1,514	1,514	3,666
Miscellaneous			494	494	316
Total Revenues	<u>2,425,839</u>	<u>2,425,839</u>	<u>2,507,859</u>	<u>82,020</u>	<u>2,572,226</u>
Expenditures					
Current					
Public Safety					
Personnel	840,323	841,039	528,242	(312,797)	510,776
Commodities					
Office Supplies and Materials	7,000	7,000	3,061	(3,939)	3,558
Machinery and Equipment	57,600	57,600	29,247	(28,353)	41,128
	<u>64,600</u>	<u>64,600</u>	<u>32,308</u>	<u>(32,292)</u>	<u>44,686</u>
Contractual					
Accounting and Auditing Services	21,500	21,500	14,700	(6,800)	14,100
Contractual	295,000	295,000	271,304	(23,696)	414,116
Instruction and Schooling	113,370	113,370	2,970	(110,400)	4,449
Insurance	200,000	200,000	98,123	(101,877)	99,917
Legal Services	5,000	5,000		(5,000)	
Meeting Expenses	1,000	1,000	630	(370)	89
Mileage Travel Expense	18,500	16,070	4,759	(11,311)	6,309
Travel Expense		2,430	2,086	(344)	
Postage	2,000	2,000	1,574	(426)	955
Printing and Publishing	2,500	2,500	21	(2,479)	
Rental of Office Space	1	1		(1)	
Repairs and Maintenance	1,200,742	1,200,742	890,314	(310,428)	927,697
Telecommunications	1,043,348	1,079,048	1,006,348	(72,700)	945,886
Utilities	18,200	18,200	13,939	(4,261)	10,610
Contingencies	300,000	262,534		(262,534)	
	<u>3,221,161</u>	<u>3,219,395</u>	<u>2,306,768</u>	<u>(912,627)</u>	<u>2,424,128</u>
Total Current	4,126,084	4,125,034	2,867,318	(1,257,716)	2,979,590
Capital Outlay					
Equipment	80,000	81,050	35,449	(45,601)	192,642
Total Expenditures	<u>4,206,084</u>	<u>4,206,084</u>	<u>2,902,767</u>	<u>(1,303,317)</u>	<u>3,172,232</u>
Net Change in Fund Balance	<u>\$ (1,780,245)</u>	<u>(1,780,245)</u>	<u>(394,908)</u>	<u>1,385,337</u>	<u>(600,006)</u>
Fund Balance					
Beginning of Year - as Previously Reported			4,235,826		4,844,375
Restatement			<u>102,447</u>		<u>93,904</u>
Beginning of Year - as Restated			<u>4,338,273</u>		<u>4,938,279</u>
End of Year			<u><u>3,943,365</u></u>		<u><u>4,338,273</u></u>

DUPAGE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
(A COMPONENT UNIT OF DUPAGE COUNTY, ILLINOIS)
SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FOR THE YEAR ENDED NOVEMBER 30, 2014

	2014			Over (Under) Final Budget	2013 Actual as Restated
	Original Budget	Final Budget	Actual		
Revenues					
Surcharge Fees	\$ 4,500,000	4,500,000	5,410,959	910,959	5,477,262
Intergovernmental Revenue					
Agency Reimbursements	87,280	87,280	162,648	75,368	1,635,701
Interest			7,358	7,358	12,949
Total Revenues	<u>4,587,280</u>	<u>4,587,280</u>	<u>5,580,965</u>	<u>993,685</u>	<u>7,125,912</u>
Expenditures					
Contractual					
Telecommunications	13,027,787	10,323,687	2,368,673	(7,955,014)	1,610,617
Capital Outlay					
Equipment	2,440,000	5,144,100	281,076	(4,863,024)	1,167,966
Total Expenditures	<u>15,467,787</u>	<u>15,467,787</u>	<u>2,649,749</u>	<u>(12,818,038)</u>	<u>2,778,583</u>
Net Change in Fund Balance	<u>\$ (10,880,507)</u>	<u>(10,880,507)</u>	<u>2,931,216</u>	<u>13,811,723</u>	<u>4,347,329</u>
Fund Balance					
Beginning of Year - as Previously Reported			17,455,886		12,926,065
Restatement			<u>(182,492)</u>		
Beginning of Year - as Restated			<u>17,273,394</u>		<u>12,926,065</u>
End of Year			<u>20,204,610</u>		<u>17,273,394</u>