

**DEKALB COUNTY EMERGENCY  
TELEPHONE SYSTEM BOARD  
SYCAMORE, ILLINOIS**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended  
December 31, 2016



**DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD**  
**SYCAMORE, ILLINOIS**  
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**Certified Public Accountants & Advisors**  
*Members of American Institute of Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Chairman  
Members of the Board  
DeKalb County Emergency  
Telephone System Board  
Sycamore, Illinois

We have audited the accompanying financial statements of the governmental activities and each major fund of the DeKalb County Emergency Telephone System Board (the ETSB), Sycamore, Illinois, as of and for the year ended December 31, 2016 and the related notes to financial statements which collectively comprise the ETSB'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 of 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 ETSB'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 ETSB'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.

## **Opinions**

In our opinion, the basic 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 DeKalb County Emergency Telephone System Board, Sycamore, Illinois as of December 31, 2016, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and certain budgetary comparison information 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ETSB's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Sikich LLP*

Naperville, Illinois  
May 5, 2017

**GENERAL PURPOSE EXTERNAL  
FINANCIAL STATEMENTS**

## **Management's Discussion and Analysis**

As management of the 911 Emergency Telephone Services Board (ETSB) of DeKalb County, we offer readers of the 911 ETSB of DeKalb County's financial statements this narrative overview and analysis of the financial activities of the 911 ETSB of DeKalb County for the fiscal year ended December 31, 2016.

### **Financial Highlights**

The assets of the 911 ETSB of DeKalb County exceeded its liabilities at the close of the fiscal year by \$2,469,299 (net position). Of this amount, \$2,241,845 in unrestricted net position may be used to meet the ETSB's ongoing obligations.

The ETSB's total net position increased over the previous year by \$288,044. This was due to increased revenues in the 911 surcharge, and expenditures that came in under budget.

The ETSB did not make a contribution to the Capital Fund this year.

As of the close of fiscal year 2016, the ETSB's governmental funds reported an ending fund balance of \$2,312,077, an increase of \$194,101 in comparison to the prior year. This is due, again, to increased 911 surcharge revenues, and expenditures that were less than the budgeted amount.

At the end of the 2016 fiscal year, the unrestricted fund balance was \$2,241,845 of which \$897,082 was assigned for capital outlay, and \$1,344,763 was unassigned in the General Fund. This figure is higher than the prior year as revenues exceeded expenditures in the General Fund. The majority of that difference was due to the unanticipated increase in the 911 surcharge due to the change in state law. The current unassigned fund balance of \$1,344,763 is 1226% of the total general fund expenditures of \$109,696.

The DeKalb County 911 ETSB has no outstanding debt.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the 911 ETSB of DeKalb County's basic financial statements. Those statements have six components: 1) a statement of net position; 2) a statement of activities; 3) a balance sheet; 4) statement of revenues, expenditures and changes in fund balance; 5) notes to the financial statements; 6) required supplementary information. This report also contains other supplementary information.

**Government-wide financial statements.** These are designed to provide readers with a broad overview of the 911 ETSB of DeKalb County's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the 911 ETSB of DeKalb County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of improvements or deterioration of the financial position of the ETSB.

The Statement of Activities presents information showing how the ETSB's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The financial statements highlight functions of the 911 ETSB of DeKalb County that are principally supported by the 911 surcharge and investment income (governmental activities). The governmental activities of the ETSB 911 of DeKalb County provide for public safety through the operation and maintenance of the 911 Emergency Telephone Systems for DeKalb County. There are no business-type activities conducted by the 911 ETSB.

The 911 ETSB of DeKalb County is considered to be a primary government. The government-wide financial statements include only the 911 ETSB of DeKalb County. There are no component units.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 911 ETSB of DeKalb County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds), and the acquisition or construction of capital assets (capital project funds). The funds of the 911 ETSB can be classified as governmental funds only. The General Fund is used to account for all of the ETSB's activities not accounted for in some other fund.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The 911 ETSB of DeKalb County maintains three governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances. This includes the general fund, wireless fund and capital fund.

The 911 ETSB of DeKalb County adopts an annual appropriation/budget for its general, wireless and capital funds. A budgetary comparison statement has been provided for all three funds to demonstrate compliance with these budgets.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the financial statements can be found beginning on page 7 of this report.

**Other information.** A statement of revenues, expenditures and changes in fund balance can be found on page 6, as well as a budget vs. actual comparison that can be found on pages 14-15 and 17. Additional notes to the required supplementary information can be found on page 16.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a ETSB's financial position. In the case of the DeKalb County 911 ETSB, assets exceeded liabilities by \$2,469,299 at the close of fiscal year 2016.

By far the largest portion of the 911 ETSB net position, 83.1 percent, reflects its cash and investments, with the balance being accounts receivable and capital assets. The 911 ETSB of DeKalb County uses these cash assets to provide on-going services to citizens. The ETSB is responsible for providing vital public safety services that require periodic large expenditures to maintain its 911 dispatching system. In addition the ETSB makes regular technological upgrades, and funds the day-to-day operations of the County's E911 communications system.

**DEKALB COUNTY 911 ETSB  
STATEMENT OF NET POSITION**

	Governmental Activities 2016	Governmental Activities 2015
Current and other Assets	\$2,319,638	\$2,157,135
Capital Assets	\$157,222	\$63,279
<b>Total Assets</b>	<b>\$2,476,860</b>	<b>\$2,220,414</b>
Long-term Liabilities outstanding	-	-
Other Liabilities	\$7,561	\$39,159
<b>Total Liabilities</b>	<b>\$7,561</b>	<b>\$39,159</b>
Net Position:		
Net Investment in Capital Assets	\$157,222	\$63,279
Restricted For Wireless	\$70,232	\$454,046
Unrestricted	\$2,241,845	\$1,663,930
<b>Total Net Position</b>	<b>\$2,469,299</b>	<b>\$2,181,255</b>

At the end of the current fiscal year, the 911 ETSB is able to report positive balances in the net position category.

The ETSB's total net position increased by \$288,044 during the current fiscal year.



**Governmental activities.** Governmental activities increased the 911 ETSB net position by \$288,044. Key elements of the overall increase are as follows:

**DEKALB COUNTY 911 ETSB  
CHANGES IN NET POSITION**

	Governmental Activities 2016	Governmental Activities 2015
Program Revenues:		
911 Surcharge	\$838,955	\$266,306
Wireless Fees	-	\$550,692
General Revenues:		
Investment Income	\$5,789	\$5,019
Miscellaneous Income	\$12,936	\$10,065
Total General Revenues	<u>\$857,680</u>	<u>\$832,082</u>
Expenses:		
Public Safety	<u>\$569,636</u>	<u>\$828,094</u>
Total Expenses	<u>\$569,636</u>	<u>\$828,094</u>
Increase/Decrease in net position	\$288,044	\$3,988
Net position on December 31, 2015		<u>\$2,181,255</u>
Net position on December 31, 2016	<u>\$2,469,299</u>	

911 surcharge funds increased during the year due to the statutory change in the funding process. This new law was effective January 2, 2016 and provides that all 911 surcharges be submitted to the Illinois State Police (ISP). The ISP then distributes the funds to the County ETSBs.

**Financial Analysis of the Government's Funds**

As noted earlier, the 911 ETSB of DeKalb County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## **Governmental Funds**

The focus of the 911 ETSB governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the ETSB's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the 911 ETSB governmental funds reported combined ending fund balances of \$2,312,077, an increase of \$194,101 in comparison with the previous fiscal year end.

Of that total, wireless funds of \$70,232 are restricted for special use.

The general fund is the primary operating fund of the 911 ETSB. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$1,344,763. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balances represent 1226% of total general fund expenditures.

The wireless fund recognizes revenues and makes expenditures specifically related to wireless 911 fees and services. The statutory change which took effect January 2, 2016, changed the way wireless funds were distributed. The surcharges are now sent to the Illinois State Police for inclusion in their monthly distributions to the ETSBs across Illinois. During 2016, budgeted expenditures were made from the wireless fund. As the fund no longer receives revenue that can be specifically identified as wireless revenue, the balance in the wireless fund was transferred to the General Fund at the end of the fiscal year. The \$70,232 wireless balance transferred at year end is now noted in the General Fund balance as "restricted for wireless". In FY 17, those funds will be used to pay for expenditures which were previously a wireless fund expenditure, until that balance is depleted.

The capital fund is funded from periodic contributions from the general and wireless funds. It is used to fund large purchases of machinery and equipment as well as infrastructure construction. The majority of the balance in this fund is assigned to the construction and implementation of Next Generation 911.

The elected County Treasurer makes investments of the ETSB's funds. The Treasurer's investment policy has as its first priority the security of the funds invested, followed by liquidity, and yield. The ETSB's funds were all fully collateralized as of the close of the fiscal year. This collateral is provided by depositories for the ETSB's deposits that exceed FDIC insurance. This collateral is held by a third-party custodial bank in the ETSB's name, or in a single institution collateral pool.

## **Budgetary Highlights**

The original budgets of the ETSB were amended this fiscal year to account for revenues and expenditures that exceed the originally budgeted amount. The transfer to the General Fund from the Wireless Fund was also included in the amended budget.

Training costs, due to state mandates, continue to be a large on-going expense.

The NINGA group, a multi-system NG911 committee formed to work cooperatively on the Next Generation 911 design and implementation in order to share resources and save money, continued to meet.

The NINGA group signed a contract with a vendor during 2016 to provide the Next Generation 911 Services. NINGA is anticipating going live with the system in late 2017. There is an anticipated increase in the annual expenses for maintenance of the system/equipment related to NG 911.

Legislation effective July 1, 2015, mandated that 911 Boards reduce the number of PSAPs (public service answering points) under their control by half, or file for a waiver of that requirement. Under this law, the DeKalb County ETSB 911 would be required to reduce the number of PSAPs from four to two. The ETSB

filed for a waiver of the consolidation requirement, but the waiver was denied. The two PSAPs impacted will be the Sandwich Police Department and NIU Police Department PSAPs. The ETSB has until July 2018 to complete the consolidation. The ETSB will apply for grant monies from the State to recover some of the consolidation expenses after it has been completed.

**Capital Assets**

**Capital assets.** The 911 ETSB of DeKalb County’s investment in capital assets for its governmental activities as of December 31, 2016 totals \$157,222 (net of accumulated depreciation). This investment in capital assets includes construction in progress and machinery and equipment. There was a net increase in capital assets of \$93,943 in the current fiscal year, due to the commencement of the Next Generation 911 project. Additional information on the 911 ETSB of DeKalb County’s capital assets can be found in note 3 of this report.

**DeKalb County 911 ETSB Capital Assets**

	Governmental Activities 2016	Governmental Activities 2015
Construction in Progress	\$108,400	-
Machinery & Equipment (net of depreciation)	\$48,822	\$63,279
	<hr/>	<hr/>
Total	\$157,222	\$63,279

**Economic Factors and Next Fiscal Year’s Budgets**

Legislation which increased the amount of wireless fees the ETSB receives took effect January 2, 2016. However, this legislation eliminated the one-time payments from the state. It makes the Illinois State Police the agency responsible for surcharge collection and distribution, as well as for paying some of the 911 ETSB’s telephone bills.

A State Advisory Board, whose membership includes our coordinator, will be introducing legislation that will provide for an increase in the surcharge, attempt to provide a stable source of on-going revenue, and extend the surcharge sunset date.

Investment income, although beginning to show slight increases, will continue to be an immaterial contributor to overall income.

The Next Generation 911 implementation will continue in 2017 with an anticipated live date in late 2017.

The state-mandated consolidation will be addressed. As the consolidation progresses, the DeKalb County Sheriff and the City of DeKalb PSAPs will be the two PSAPs that will continue to receive and dispatch 911 calls. The ETSB deadline to consolidate is July, 2018. At that time the ETSB can apply for State grants to recover some of the consolidation expenses.

**DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD  
SYCAMORE, ILLINOIS**

STATEMENT OF NET POSITION

December 31, 2016

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 2,058,315
Receivables	
Accounts	261,323
Capital assets not being depreciated	108,400
Capital assets, net of accumulated depreciation	<u>48,822</u>
Total assets	<u>2,476,860</u>
<b>LIABILITIES</b>	
Accounts payable	<u>7,561</u>
Total liabilities	<u>7,561</u>
<b>NET POSITION</b>	
Investment in capital assets	157,222
Restricted for wireless	70,232
Unrestricted	<u>2,241,845</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 2,469,299</u></u>

See accompanying notes to financial statements.

**DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD  
SYCAMORE, ILLINOIS**

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
<b>PRIMARY GOVERNMENT</b>					
Governmental Activities					
Public safety	\$ 569,636	\$ -	\$ -	\$ -	\$ (569,636)
Total governmental activities	569,636	-	-	-	(569,636)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 569,636</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(569,636)</b>
		General Revenues			
					838,955
					5,789
					12,936
			Total		857,680
					288,044
					2,181,255
					<b>\$ 2,469,299</b>

See accompanying notes to financial statements.

**DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD  
SYCAMORE, ILLINOIS**

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2016

	General	Special Revenue Wireless	Capital Projects Capital	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 1,158,059	\$ -	\$ 900,256	\$ 2,058,315
Receivables				
Accounts	261,323	-	-	261,323
<b>TOTAL ASSETS</b>	<b>\$ 1,419,382</b>	<b>\$ -</b>	<b>\$ 900,256</b>	<b>\$ 2,319,638</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 4,387	\$ -	\$ 3,174	\$ 7,561
Total liabilities	4,387	-	3,174	7,561
<b>FUND BALANCES</b>				
Restricted - wireless	70,232	-	-	70,232
Unrestricted				
Assigned - capital outlay	-	-	897,082	897,082
Unassigned	1,344,763	-	-	1,344,763
Total fund balances	1,414,995	-	897,082	2,312,077
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,419,382</b>	<b>\$ -</b>	<b>\$ 900,256</b>	
Reconciliation of fund balances of governmental funds to the governmental activities in the statement of net position				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds				157,222
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>				<b>\$ 2,469,299</b>

See accompanying notes to financial statements.

**DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD  
SYCAMORE, ILLINOIS**

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2016

	General	Special Revenue Wireless	Capital Projects Capital	Total Governmental Funds
<b>REVENUES</b>				
Intergovernmental	\$ 699,184	\$ 139,771	\$ -	838,955
Investment income	2,162	107	3,520	5,789
Miscellaneous revenue	2,893	10,043	-	12,936
Total revenues	704,239	149,921	3,520	857,680
<b>EXPENDITURES</b>				
Current				
Public safety				
Personal services	18,655	35,096	-	53,751
Commodities and services	91,041	381,547	-	472,588
Capital outlay	-	-	137,240	137,240
Total expenditures	109,696	416,643	137,240	663,579
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	594,543	(266,722)	(133,720)	194,101
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	187,324	-	-	187,324
Transfers (out)	-	(187,324)	-	(187,324)
Total other financing sources (uses)	187,324	(187,324)	-	-
NET CHANGE IN FUND BALANCES	781,867	(454,046)	(133,720)	194,101
FUND BALANCES, JANUARY 1, 2016	633,128	454,046	1,030,802	
<b>FUND BALANCES, DECEMBER 31, 2016</b>	<b>\$ 1,414,995</b>	<b>\$ -</b>	<b>\$ 897,082</b>	
Reconciliation of the governmental funds statement of revenues, expenditures and changes in fund balances to the governmental activities in the statement of activities				
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities				108,400
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds				
Depreciation				(14,457)
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>				<b>\$ 288,044</b>

See accompanying notes to financial statements.

**DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD  
SYCAMORE, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the DeKalb County Emergency Telephone System Board (the ETSB), Sycamore, Illinois have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). 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 ETSB's accounting policies are described below.

a. Reporting Entity

The ETSB is governed by a Board of Trustees appointed by the DeKalb County Board (the County). The County's accountability does not extend beyond these appointments, and the ETSB is neither fiscally dependent nor financially accountable to the County. Accordingly, the ETSB is considered to be a primary government.

At December 31, 2016, the following governments were participating agencies of the ETSB:

Cortland Fire Department	DeKalb Police Department
DeKalb Fire Department	DeKalb County Sheriff's Department
Earlville Fire Department	Genoa/Kingston Fire Department
Hinckley Fire Department	Kirkland Fire Department
Lee Fire Department	Leland Fire Department
Malta Fire Department	Maple Park Fire Department
NIU Police Department	Paw Paw Fire Department
Sandwich Police Department	Sandwich Fire Department
Shabbona Fire Department	Somonauk Fire Department
Sycamore Police Department	Sycamore Fire Department
Waterman Fire Department	

b. Fund Accounting

The accounts of the ETSB 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 is maintained consistent with legal and managerial requirements.



**DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD**  
**SYCAMORE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

b. Fund Accounting (Continued)

Governmental funds are used to account for all or most of the government's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds) and the funds committed, restricted or assigned for the acquisition or construction of capital assets (capital projects funds). The General Fund is used to account for all activities of the government not accounted for in some other fund.

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the ETSB.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the financial statements.

The ETSB reports the following major governmental funds:

The General Fund is the ETSB's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The Wireless Fund, a special revenue fund, is used to account for wireless fees restricted by the State of Illinois for expenditures for the design, implementation, operation, maintenance or upgrade of wireless 911 or E-911 services. The ETSB closed this fund as of December 31, 2016.

The Capital Fund, a capital projects fund, is used to account for revenues assigned by the ETSB for capital purposes and purchases, and for the expenditures of those funds.

**DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD**  
**SYCAMORE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

d. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period. A 90-day availability period is used for revenue recognition for all governmental fund revenues, except for wireless surcharge revenues which use a 120-day availability period due to the slowdown in remittances from the State of Illinois due to the absence of a state budget. Expenditures are recorded when the related fund liability is incurred. Those revenues susceptible to accrual are interest revenue, 911 surcharge and wireless fees.

e. Cash and Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased and are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At December 31, 2016, the ETSB held no investments required to be reported at fair value.

f. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the ETSB as assets with an initial, individual cost in excess of \$10,000 and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

**DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD**  
**SYCAMORE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

f. Capital Assets (Continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Machinery, furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Machinery, furniture and equipment	10

g. Fund Balances/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either nonspendable in 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 a specific purpose, or externally imposed by outside entities. Committed fund balance is constrained by formal actions of the ETSB, which is considered the ETSB's highest level of decision-making authority. Formal actions include resolutions approved by the ETSB. Assigned fund balance represents amounts constrained by the ETSB's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the ETSB's Treasurer in accordance with the Fund Balance Reporting and Flow of Funds Policy. Any residual fund balance of the general fund is reported as unassigned.

The ETSB'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 ETSB considers committed funds to be expended first, followed by assigned and then unassigned funds.

In the government-wide financial statements, restricted net positions are legally restricted by outside parties for a specific purpose. Net investment in capital assets represents the ETSB's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset. None of the restricted fund balance or restricted net positions result from enabling legislation adopted by the ETSB.

**DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD**  
**SYCAMORE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

h. Use of 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.

**2. DEPOSITS WITH FINANCIAL INSTITUTIONS**

Permitted Deposits and Investments - The ETSB's investment policy is consistent with statutes and allows for deposits/investments in insured commercial banks, U.S. Treasury bills, certificates of deposit issued by banks located within and in close proximity to DeKalb County, money market mutual funds with portfolios of securities issued or guaranteed by the United States and Illinois Funds.

a. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the ETSB's deposits may not be returned to it. To guard against custodial credit risk for deposits with financial institutions, the ETSB's investment policy requires that deposits with financial institutions in excess of FDIC be collateralized with collateral in an amount of 105% if U.S. Treasury or agency securities are pledged, or 110% if other collateral is pledged, of the uninsured deposits with the collateral held by a third party acting as the agent of the ETSB. All of the ETSB's deposits were covered by either FDIC or collateral at December 31, 2016.

b. Investments

In accordance with its investment policy, the ETSB limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed to meet immediate operating needs.

The ETSB limits exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in insured or collateralized certificates of deposit.

**DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD**  
**SYCAMORE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**2. DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)**

b. Investments (Continued)

Custodial credit risk is the risk that, in the event of failure of the counterparty to the investment, the ETSB will not be able to recover some or all of the investment that is in possession of an outside party. To limit its exposure, the ETSB's investment policy requires that all security transactions exposed to custodial credit risk are processed on a delivery versus payment (DVP) basis with the underlying investment held by a third party acting as the ETSB's agent separate from where the investment was purchased. The ETSB also limits its exposure to custodial credit risk by primarily investing in insured or collateralized certificates of deposit.

Concentration of credit risk - The ETSB's investment policy requires diversification of the portfolio but does not contain any specific diversification targets.

**3. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balances January 1, 2015	Increases	Decreases	Balances December 31, 2016
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 108,400	\$ -	\$ 108,400
Total capital assets being depreciated	-	108,400	-	108,400
Capital assets being depreciated				
Machinery and equipment	615,823	-	-	615,823
Total capital assets being depreciated	615,823	-	-	615,823
Less accumulated depreciation for				
Machinery and equipment	552,544	14,457	-	567,001
Total accumulated depreciation	552,544	14,457	-	567,001
Total capital assets being depreciated, net	63,279	(14,457)	-	48,822
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<b>\$ 63,279</b>	<b>\$ 93,943</b>	<b>\$ -</b>	<b>\$ 157,222</b>

Depreciation expense was charged to functions of the primary government as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	
Public safety	<u>\$ 14,457</u>

**DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD**  
**SYCAMORE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**4. INDIVIDUAL FUND DISCLOSURES**

a. Transfers

The composition of interfund transfers during the year is as follows:

	Transfer From	Transfer To
General		
Wireless	\$ 187,324	\$ -
Wireless		
General	-	187,324
	<hr/>	<hr/>
TOTAL	\$ 187,324	\$ 187,324
	<hr/>	<hr/>

The purposes of the transfers are as follows:

- \$187,324 transferred to the General Fund from the Wireless Fund to close the Wireless Fund. This transfer will not be repaid.

**5. RISK MANAGEMENT**

The ETSB is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The ETSB has purchased commercial insurance for general liability, property insurance and other risks accounted for in the general fund from independent third parties. The employee of the ETSB is covered under the County's self-insurance program. Settled claims from these risks have not exceeded commercial insurance coverage in the current fiscal year or the preceding fiscal year.

**6. PENSION PLAN**

One employee of ETSB is covered by the Illinois Municipal Retirement Fund (IMRF) through the County and Social Security, respectively. Contributions are paid by the County and are reimbursed by the ETSB. Additional information on the IMRF plan, including funding requirements and the net pension liability, is presented in the comprehensive annual financial report of the County.

**REQUIRED SUPPLEMENTARY INFORMATION**

**DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD  
SYCAMORE, ILLINOIS**

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

For the Year Ended December 31, 2016

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Intergovernmental			
911 surcharge	\$ 230,000	\$ 965,000	\$ 699,184
Investment income	1,000	2,200	2,162
Miscellaneous	4,000	4,000	2,893
Total revenues	235,000	971,200	704,239
<b>EXPENDITURES</b>			
Personal services	18,900	19,100	18,655
Commodities and services			
Telephone	80,500	5,700	2,894
Travel	9,000	9,000	5,906
Training	35,000	35,000	28,514
Insurance	6,300	6,300	5,956
Office supplies	1,000	1,200	1,117
Office expense	3,000	3,000	3,000
Dues and memberships	300	300	229
Education	1,500	1,500	1,453
Professional services	15,500	15,500	14,537
Mapping	10,000	10,000	10,000
Tower rental	1,200	1,200	1,200
Maintenance	50,000	44,000	16,235
Miscellaneous	2,700	2,700	-
Total expenditures	234,900	154,500	109,696
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	100	816,700	594,543
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	188,000	187,324
Total other financing sources (uses)	-	188,000	187,324
NET CHANGE IN FUND BALANCE	\$ 100	\$ 1,004,700	781,867
FUND BALANCE, JANUARY 1, 2016			633,128
<b>FUND BALANCE, DECEMBER 31, 2016</b>			<b>\$ 1,414,995</b>

(See independent auditor's report.)



**DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD  
SYCAMORE, ILLINOIS**

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

For the Year Ended December 31, 2016

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Intergovernmental			
Wireless surcharge	\$ 528,000	\$ 25,000	\$ 139,771
Investment income	100	110	107
Miscellaneous	1,900	10,100	10,043
Total revenues	530,000	35,210	149,921
<b>EXPENDITURES</b>			
Personal services	34,800	35,600	35,096
Commodities and services			
Telephone	140,000	15,000	10,976
Mapping	34,000	34,000	21,340
Maintenance	2,900	1,700	999
Wireless tower rental	5,300	5,300	5,232
Fire dispatch service	163,000	163,000	163,000
Police dispatch service	180,000	180,000	180,000
Total expenditures	560,000	434,600	416,643
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(30,000)	(399,390)	(266,722)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out)	-	-	(187,324)
Total other financing sources (uses)	-	-	(187,324)
NET CHANGE IN FUND BALANCE	<u>\$ (30,000)</u>	<u>\$ (399,390)</u>	(454,046)
FUND BALANCE, JANUARY 1, 2016			454,046
<b>FUND BALANCE, DECEMBER 31, 2016</b>			<u><u>\$ -</u></u>

(See independent auditor's report.)

**DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD  
SYCAMORE, ILLINOIS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2016

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**BUDGETS**

Formal budgetary integration is employed as a management control device. Budgets are adopted on a basis consistent with GAAP. An annual budget is adopted for the General Fund, Wireless Fund and Capital Fund. These annual budgets lapse at fiscal year end. Expenditures may not legally exceed budgeted appropriations at the line item level.

During the year, there was one budget amendment.

**SUPPLEMENTARY INFORMATION**

**DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD  
SYCAMORE, ILLINOIS**

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

For the Year Ended December 31, 2016

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Investment income	\$ 2,000	\$ 3,600	\$ 3,520
Total revenues	2,000	3,600	3,520
<b>EXPENDITURES</b>			
Capital outlay			
Capital equipment	150,000	10,000	3,174
Capital computers/printers	2,000	2,000	-
Capital construction	125,000	25,000	-
Next Generation 911	1,048,000	150,000	134,066
Total expenditures	1,325,000	187,000	137,240
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (1,323,000)</b>	<b>\$ (183,400)</b>	<b>(133,720)</b>
<b>FUND BALANCE, JANUARY 1, 2016</b>			<b>1,030,802</b>
<b>FUND BALANCE, DECEMBER 31, 2016</b>			<b>\$ 897,082</b>

(See independent auditor's report.)