



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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Year Ended December 31, 2017

A decorative background image featuring a complex, abstract pattern of overlapping, semi-transparent geometric shapes and lines, creating a sense of depth and movement. The colors are muted, primarily greys and whites, with a teal accent at the top.

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DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
SYCAMORE, ILLINOIS
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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, 2017 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, 2017, 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
March 27, 2018

**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, 2017.

Financial Highlights

The assets of the 911 ETSB of DeKalb County exceeded its liabilities at the close of the fiscal year by \$2,608,321 (net position). Of this amount, \$2,465,556 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 \$139,022. This was due to investment income that exceeded the budgeted amount, and expenditures that came in under budget.

The ETSB made a \$100,000 contribution to the Capital Fund this year.

As of the close of fiscal year 2017, the ETSB's governmental funds reported an ending fund balance of \$2,465,556, an increase of \$153,479 in comparison to the prior year. This is due, again, investment income that exceeded the budgeted amount, and expenditures that were less than the budgeted amount.

At the end of the 2017 fiscal year, the unrestricted fund balance was \$2,465,556 of which \$900,091 was assigned for capital outlay, and \$1,565,465 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 expenditures that were significantly lower than the budget. The current unassigned fund balance of \$1,565,465 is 288% of the total general fund expenditures of \$543,909.

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 two governmental funds, the general fund and the capital fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances.

The 911 ETSB of DeKalb County adopts an annual appropriation/budget for its general and capital funds. A budgetary comparison statement has been provided for both 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 and 16. Additional notes to the required supplementary information can be found on page 15.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an ETSB's financial position. In the case of the DeKalb County 911 ETSB, assets exceeded liabilities by \$2,608,321 at the close of fiscal year 2017.

By far the largest portion of the 911 ETSB net position, 86 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 2017	Governmental Activities 2016
Current and other Assets	\$2,476,971	\$2,319,638
Capital Assets	\$142,765	\$157,222
Total Assets	\$2,619,736	\$2,476,860
Long-term Liabilities outstanding	-	-
Other Liabilities	\$11,415	\$7,561
Total Liabilities	\$11,415	\$7,561
Net Position:		
Net Investment in Capital Assets	\$142,765	\$157,222
Restricted For Wireless	\$0	\$70,232
Unrestricted	\$2,465,556	\$2,241,845
Total Net Position	\$2,608,321	\$2,469,299

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 \$139,022 during the current fiscal year.

Governmental activities. Governmental activities increased the 911 ETSB net position by \$139,022. Key elements of the overall increase are as follows:

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

	Governmental Activities 2017	Governmental Activities 2016
Program Revenues:		
911 Surcharge	\$784,064	\$838,955
General Revenues:		
Investment Income	\$12,655	\$5,789
Miscellaneous Income	\$1,050	\$12,936
Total General Revenues	\$797,769	\$857,680
Expenses:		
Public Safety	\$658,747	\$569,636
Total Expenses	\$658,747	\$569,636
Increase/Decrease in net position	\$139,022	\$288,044
Net position on December 31, 2016		\$2,469,299
Net position on December 31, 2017	\$2,608,321	

911 surcharge revenues decreased during the year. A law effective January 2, 2016 provided that all 911 surcharges be submitted to the Illinois State Police (ISP). The ISP then distributes the funds to the County ETSBs. This was the first year of the surcharge being collected and distributed by the state. The decrease was unanticipated, but was a trend statewide. The change in the collection process, combined with the complexity of the distribution formula, created the unintended consequence of lower surcharge revenues.

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 \$2,465,556, an increase of \$153,479 in comparison with the previous fiscal year end.

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 \$1,565,465. 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 288% of total general fund expenditures.

The balance in the wireless fund was transferred to the General Fund at the end of the fiscal year 2016. The \$70,232 wireless balance transferred at year end was noted in the General Fund balance as "restricted for wireless". In FY 17, those funds were used to pay for expenditures which were previously a wireless fund expenditure. That balance was depleted in FY 2017.

The capital fund is funded from periodic contributions from the general fund. It is used to fund large purchases of machinery and equipment as well as infrastructure construction. The balance in this fund is assigned to the construction and implementation of Next Generation 911, as well as the purchase of logging recorders, and consolidation expenses.

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 General Fund and Capital Fund budgets of the ETSB were amended this fiscal year to account for the transfer of \$100,000 from the General Fund to the Capital Fund.

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

The NINGA group is 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. The NINGA group signed a contract with a vendor during 2016 to provide the Next Generation 911 Services. NINGA has filed an implementation plan with the ICC & the Illinois State Police (ISP). They are currently in an ICC hearing process which has delayed implementation of the NG911. It is the Board's intent that DeKalb County to go live on NG911 in the fourth quarter of 2018.

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 June 30, 2018 to file a consolidation plan with the ISP, with a required project completion date no later the June 30, 2019. The ETSB will apply for grant monies from the State to attempt 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, 2017 totals \$142,765 (net of accumulated depreciation). This investment in capital assets includes construction in progress, and machinery and equipment. There was a net decrease in capital assets of \$14,457 in the current fiscal year, due to depreciation. 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 2017	Governmental Activities 2016
Construction in Progress	\$108,400	\$108,400
Machinery & Equipment (net of depreciation)	\$34,365	\$48,822
Total	\$142,765	\$157,222

Economic Factors and Next Fiscal Year’s Budgets

Legislation passed in July, 2017, with an effective date of January 1, 2018, will increase the 911 surcharge to \$1.50. This change will result in an additional .12 cents per line being recognized by the ETSB as additional revenue for 18 months after the effective date. This surcharge increase impacts all cell phone and landline users.

Investment income has begun to show increases and may become a material contributor to overall income.

It is anticipated that Next Generation 911 implementation will be substantially completed in the fourth quarter of 2018. There is an anticipated increase in the annual expenses for maintenance of the system/equipment related to NG911.

The state-mandated PSAP consolidation project continues to progress. 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 file a plan with the ISP is June 30th, 2018, with a final completion deadline of June 30, 2019. At that time the ETSB can apply for State grants to attempt to recover some of the consolidation expenses.

In 2017, the 911 ETSB of DeKalb County signed an Intergovernmental Agreement with DeKalb County to make a \$600,000 contribution to a new Sheriff’s Radio Communication System in 2018. It is the County’s intent to create a complete countywide P25 digital radio system which will include all police and fire agencies. This new system will improve radio coverage and public safety communications countywide. As part of the Agreement, the Board will be transferring its existing infrastructure, including equipment, to DeKalb County. This Agreement and transfer of equipment will benefit the 911 ETSB of DeKalb County by reducing the Board’s costs for insurance, tower rental, fire system maintenance, and DATA Fiber participation costs. The Board will enjoy long-term savings for equipment refresh costs as well.

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

STATEMENT OF NET POSITION

December 31, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 2,241,505
Receivables	
Accounts	235,466
Capital assets not being depreciated	108,400
Capital assets, net of accumulated depreciation	<u>34,365</u>
Total assets	<u>2,619,736</u>
LIABILITIES	
Accounts payable	<u>11,415</u>
Total liabilities	<u>11,415</u>
NET POSITION	
Investment in capital assets	142,765
Unrestricted	<u>2,465,556</u>
TOTAL NET POSITION	<u><u>\$ 2,608,321</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, 2017

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Change in Net Position
PRIMARY GOVERNMENT	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Governmental Activities					
Public safety	\$ 658,747	\$ -	\$ -	\$ -	\$ (658,747)
Total governmental activities	658,747	-	-	-	(658,747)
TOTAL PRIMARY GOVERNMENT	\$ 658,747	\$ -	\$ -	\$ -	(658,747)
			General Revenues		
			Intergovernmental		784,064
			Investment income		12,655
			Miscellaneous		1,050
			Total		797,769
			CHANGE IN NET POSITION		139,022
			NET POSITION, JANUARY 1, 2017		2,469,299
			NET POSITION, DECEMBER 31, 2017		\$ 2,608,321

See accompanying notes to financial statements.

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

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2017

	General	Capital Projects Capital	Total Governmental Funds
ASSETS			
Cash and investments	\$ 1,341,414	\$ 900,091	\$ 2,241,505
Receivables			
Accounts	235,466	-	235,466
TOTAL ASSETS	\$ 1,576,880	\$ 900,091	\$ 2,476,971
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 11,415	\$ -	\$ 11,415
Total liabilities	11,415	-	11,415
FUND BALANCES			
Unrestricted			
Assigned - capital outlay	-	900,091	900,091
Unassigned	1,565,465	-	1,565,465
Total fund balances	1,565,465	900,091	2,465,556
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,576,880	\$ 900,091	
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			
			142,765
NET POSITION OF GOVERNMENTAL ACTIVITIES			\$ 2,608,321

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, 2017

	<u>General</u>	<u>Capital Projects Capital</u>	<u>Total Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 784,064	\$ -	\$ 784,064
Investment income	9,265	3,390	12,655
Miscellaneous revenue	1,050	-	1,050
Total revenues	794,379	3,390	797,769
EXPENDITURES			
Current			
Public safety			
Personal services	55,079	-	55,079
Commodities and services	488,830	18,098	506,928
Capital outlay	-	82,283	82,283
Total expenditures	543,909	100,381	644,290
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	250,470	(96,991)	153,479
OTHER FINANCING SOURCES (USES)			
Transfers in	(100,000)	-	(100,000)
Transfers (out)	-	100,000	100,000
Total other financing sources (uses)	(100,000)	100,000	-
NET CHANGE IN FUND BALANCES	150,470	3,009	153,479
FUND BALANCES, JANUARY 1, 2017	1,414,995	897,082	
FUND BALANCES, DECEMBER 31, 2017	<u>\$ 1,565,465</u>	<u>\$ 900,091</u>	
Reconciliation of the governmental funds statement of revenues, expenditures and changes in fund balances to the governmental activities in the statement of activities			
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)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES			<u>\$ 139,022</u>

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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, 2017, the following governments were participating agencies of the ETSB:

Cortland Fire Department	DeKalb Police Department
DeKalb Fire Department	DeKalb County Sheriff's 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
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)

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 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.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Basis of Accounting (Continued)

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 all investments of the pension trust funds 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, 2017, 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)

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)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Use of Estimates

The preparation of financial statements in conformity with GAAP 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, 2017.

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.

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

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

2. DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

b. Investments (Continued)

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, 2017 was as follows:

	Balances January 1, 2017	Increases	Decreases	Balances December 31, 2017
GOVERNMENTAL ACTIVITIES				
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	567,001	14,457	-	581,458
Total accumulated depreciation	567,001	14,457	-	581,458
Total capital assets being depreciated, net	48,822	(14,457)	-	34,365
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET				
	\$ 157,222	\$ (14,457)	\$ -	\$ 142,765

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

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

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

4. INDIVIDUAL FUND DISCLOSURES

a. Transfers

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

	Transfer From	Transfer To
General Fund	\$ 100,000	\$ -
Capital Fund	-	100,000
TOTAL	\$ 100,000	\$ 100,000

The purposes of the transfers are as follows:

- \$100,000 transferred to the Capital Fund from the General fund for future capital projects. 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, 2017

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
911 surcharge	\$ 720,000	\$ 720,000	\$ 784,064
Investment income	2,500	2,500	9,265
Miscellaneous	2,500	2,500	1,050
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Total revenues	725,000	725,000	794,379
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EXPENDITURES			
Personal services	56,000	56,000	55,079
Commodities and services			
Telephone	110,900	110,900	12,183
Travel	7,000	7,000	6,254
Training	35,000	35,000	27,933
Insurance	6,500	6,500	6,095
Office supplies	1,000	1,000	802
Office expense	3,000	3,000	3,000
Dues and memberships	300	300	314
Education	1,500	1,500	1,449
Professional services	16,200	16,200	15,421
Mapping	45,000	45,000	36,447
Tower rental	6,700	6,700	6,333
Maintenance	53,500	53,500	29,533
Fire system dispatch	163,000	163,000	163,000
Police system dispatch	180,000	180,000	180,000
Miscellaneous	400	400	66
	<hr/>		
Total expenditures	686,000	686,000	543,909
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EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	39,000	39,000	250,470
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OTHER FINANCING SOURCES (USES)			
Transfers (out)	-	(100,000)	(100,000)
	<hr/>		
Total other financing sources (uses)	-	(100,000)	(100,000)
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NET CHANGE IN FUND BALANCE	\$ 39,000	\$ (61,000)	150,470
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FUND BALANCE, JANUARY 1, 2017			1,414,995
			<hr/>
FUND BALANCE, DECEMBER 31, 2017			\$ 1,565,465
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(See independent auditor's report.)

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2017

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 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, 2017

	Original Budget	Final Budget	Actual
REVENUES			
Investment income	\$ 3,000	\$ 3,000	\$ 3,390
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>3,390</u>
EXPENDITURES			
Commodities and services			
Miscellaneous	140,000	140,000	18,098
Capital outlay			
Capital equipment	108,000	108,000	69,590
Capital computers/printers	2,000	2,000	1,129
Capital construction	45,000	45,000	11,564
Next Generation 911	600,000	600,000	-
Total expenditures	<u>895,000</u>	<u>895,000</u>	<u>100,381</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(892,000)</u>	<u>(892,000)</u>	<u>(96,991)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Total other financing sources (uses)	<u>-</u>	<u>100,000</u>	<u>100,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ (892,000)</u>	<u>\$ (792,000)</u>	3,009
FUND BALANCE, JANUARY 1, 2017			<u>897,082</u>
FUND BALANCE, DECEMBER 31, 2017			<u><u>\$ 900,091</u></u>

(See independent auditor's report.)