LAKE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

A Special Revenue Fund of Lake County, Illinois

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended November 30, 2016

LAKE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

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As of and for the Year Ended November 30, 2016

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lake County Emergency Telephone System Board
Volo, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Lake County Emergency Telephone System Board, a special revenue fund of Lake County, Illinois, as of and for the year ended November 30, 2016, and the related notes to the financial statements, which collectively comprise the Lake County Emergency Telephone System 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 over financial reporting relevant to the Lake County Emergency Telephone System Board'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 Lake County Emergency Telephone System Board'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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Lake County Emergency Telephone System Board Illinois, as of November 30, 2016 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, the financial statements present only the Lake County Emergency Telephone System Board and do not purport to, and do not present fairly the financial position of Lake County, Illinois, as of November 30, 2016, and the changes in its financial position and, where applicable, its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinions are 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 required supplementary information as listed in the table of contents 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

To the Board of Directors
Lake County Emergency Telephone System Board

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2017 on our consideration of the Lake County Emergency Telephone System Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lake County Emergency Telephone System Board's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Chicago, Illinois
August 4, 2017

LAKE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
As of November 30, 2016

	General Fund	Adjustments (Note II.A.)	Statement of Net Position
ASSETS			
Cash and investments	$ 3,347,576	$ -	$ 3,347,576
Accounts receivable	865,700	-	865,700
Prepaid items	149,512	-	149,512
Capital assets			
Current work in process	-	213,535	213,535
Other capital assets, net of depreciation	-	1,620,891	1,620,891
Total Assets	4,362,788	1,834,426	6,197,214
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	-	151,817	151,817
Total Assets and Deferred Outflows of Resources	4,362,788	1,986,243	6,349,031
LIABILITIES			
Accounts payable	128,628	-	128,628
Accrued liabilities	10,514	-	10,514
Noncurrent Liabilities			
Net pension liability	-	159,702	159,702
Total Liabilities	139,142	159,702	298,844
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	340,000	(340,000)	-
Pension related items	-	4,557	4,557
Total Deferred Inflows of Resources	340,000	(335,443)	4,557
FUND BALANCE/NET POSITION			
Fund Balance			
Restricted in accordance with state statutes and enabling legislation	3,883,646	(3,883,646)	-
Total Fund Balance	3,883,646	(3,883,646)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 4,362,788		
NET POSITION			
Investment in capital assets		1,834,426	1,834,426
Restricted in accordance with state statutes and enabling legislation		4,211,204	4,211,204
TOTAL NET POSITION		$ 6,045,630	$ 6,045,630

See accompanying notes to financial statements.

LAKE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Year Ended November 30, 2016

	General Fund	Adjustments (Note II.B.)	Statement of Activities
REVENUES			
Telephone surcharges	$ 2,392,677	$ (179,304)	$ 2,213,373
User fees	65,245	-	65,245
Interest	15,636	-	15,636
Miscellaneous	7,081	-	7,081
Total Revenues	2,480,639	(179,304)	2,301,335
EXPENDITURES/EXPENSES			
Personal services	266,188	12,442	278,630
Commodities	3,027	-	3,027
Contractual	1,008,250	615,196	1,623,446
Capital outlay	1,058,883	(1,058,883)	-
Depreciation/amortization	-	454,068	454,068
Total Expenditures/Expenses	2,336,348	22,823	2,359,171
Net Change in Fund Balance	144,291		
Change in Net Position			(57,836)
FUND BALANCE/NET POSITION			
Beginning of Year	3,739,355	2,364,111	6,103,466
END OF YEAR	$ 3,883,646	$ 2,161,984	$ 6,045,630

See accompanying notes to financial statements.

LAKE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

INDEX TO NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended November 30, 2016

NOTE Page

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Lake County Emergency Telephone System Board (the "Board") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The Board was formed on January 9, 1990 for the purpose of the implementation, operation, upgrade, and maintenance of a 9-1-1 emergency telephone system for the Lake County 9-1-1 service area. There are 17 Board members, representing 17 different public agencies, all of whom are representatives of the Public Safety Agency 9-1-1 Systems Users. The Board was established in accordance with the Emergency Telephone System Act of the State of Illinois.

The Board is reported as a special revenue fund of Lake County, Illinois in the County's comprehensive annual financial report.

The Board is funded by monthly surcharges imposed on billed subscribers of network connections provided by telecommunications and wireless carriers.

B. Government-wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Board does not allocate indirect expenses to functions in the statement of activities. 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 contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

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NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditure/ expenses.

The Board reports the following major governmental fund:

General Fund - accounts for the Board's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

The Board has no other funds.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Telephone surcharges and user fees are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Intergovernmental aids and grants are recognized as revenues in the period the Board is entitled the resources and the amounts are available. Amounts owed to the Board which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include public charges for services and interest. Other general revenues, such as miscellaneous revenues, are recognized when received in cash or when measurable and available under the criteria described above.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

All Financial Statements

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, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

The Board follows the investment policy of Lake County. The County's investment policy, which is more restrictive than Illinois State Statutes, authorizes the County to invest in any of the types of accounts or securities listed below:

1. Bonds, notes, certificates of indebtedness, treasury bills, or other securities, which are guaranteed by the full faith and credit of the United States of America.

2. Interest-bearing checking or savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits constituting direct obligations of any bank as defined by the Illinois Banking Act and only those insured by the Federal Deposit Insurance Corporation (FDIC).

3. Forms of security legally issuable by savings and loan associations incorporated under the laws of the State of Illinois or any other state or under the laws of the United States, only in those savings and loan associations insured by the FDIC, and not to exceed the maximum amount insured by the FDIC.

4. Insured dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the laws of the State of Illinois or any other state or under the laws of the United States, only in those credit unions insured by the National Credit Union Administration (NCUA) and not to exceed the maximum amount insured by the NCUA.

5. Repurchase agreements (Illinois Compiled Statutes Chapter 30-235/2).

6. Illinois Funds (money market fund managed by the Treasurer of the State of Illinois).

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

The County's investment policy contains the following guidelines for allowable investments:

Custodial Credit Risk

The County will not maintain any funds at a financial institution that is not a member of FDIC or NCUA. In addition, the policy requires the County to maintain funds in financial institutions willing and capable of collateralizing all funds in excess of FDIC and NCUA limits.

Credit Risk

The County will minimize credit risk by limiting the type of securities to U.S. Treasury obligations, U.S. Government agency obligations, money market mutual funds when portfolios consist of U.S. government obligations, deposits or investments defined by the Illinois Banking Act, repurchase agreements according to State Statute Chapter 30 ILCS 235/2, and the Illinois funds.

Concentration of Credit Risk

Not addressed in policy.

Interest Rate Risk and Investments Highly Sensitive to Market Changes

The County will structure its investment portfolios so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Foreign Currency Risk

Investments in foreign currency are not allowed.

See Note III. A. for further information.

2. Receivables

There is no allowance for uncollectible accounts considered necessary.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than $1,000 for general capital assets and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

4. Capital Assets (cont.)

Government-Wide Statements (cont.)

Depreciation and amortization of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation and amortization reflected in the statement of net position. Depreciation and amortization is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Furniture and equipment	5 Years
Operational equipment	2-16 Years
Intangible software	2-5 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

5. Long-term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist of an IMRF net pension liability.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The accounting in proprietary funds is the same as it is in the government-wide statements.

6. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

7. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

8. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

a. Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted Net Position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.

c. Unrestricted Net Position- All other net position that does not meet the definitions of "restricted" or "invested in capital assets."

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Statements

Governmental fund equity is classified as fund balance and displayed as follows:

a. Nonspendable - includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.

b. Restricted - consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

c. Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Board that originally created the commitment.

d. Assigned - includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. Fund balance may be assigned by management or the Board for a specific purpose. Assignments may take place after the end of the reporting period.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

8. Equity Classifications (cont.)

Fund Statements (cont.)

e. Unassigned **-** includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

The Board considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Board would first use committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

All ETSB fund balance is classified as restricted.

9. Pension

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Illinois Municipal Retirement Fund (IMRF) and additions to/deductions from IMRF's fiduciary net position have been determined on the same basis as they are reported by IMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION

The governmental fund balance sheet includes an adjustment between fund balance and net position. The details of this adjustment include the following items.

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Current work in process	$	213,535
Office furniture		9,400
Operational equipment		2,932,669
Intangible software		961,548
Less: Accumulated depreciation/amortization		(2,282,726)
Combined Adjustment for Capital Assets	$	1,834,426

The net pension liability and related deferred inflows and deferred outflows do not relate to the current period, and, therefore, are not reported in the funds.

Net pension liability	$	(159,702)
Pension-related deferred outflows of resources		151,817
Pension-related deferred inflows of resources		(4,557)
Combined Adjustment for Net Pension Liability	$	(12,442)

Revenue as a deferred inflow of resources in the fund financial statements for unavailable receivables	$	340,000*

* Note that this $340,000 relates to an estimated amount due from the State for 911 surcharge reimbursements for the months of October and November 2016 which were not received within 60 days after year-end. Per Note I.C, these revenues are deemed unavailable by the Board and recorded as such in the fund financial statements.

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes an adjustment between net changes in fund balances changes in net position of governmental activities. The details of this difference are as follows:

Change in unavailable revenue	$	179,304
Change in pension related items		(12,442)
Items capitalized are reported as operations expenditures in the general fund		460,347
Depreciation/amortization expense		(454,068)
Net book value of assets retired		(16,660)
Total Adjustment to Arrive at the Change in Net Position of Governmental Activities	$	(156,481)

NOTE III – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The Board maintains cash and investments which are administered by Lake County. The carrying value and associated risks are as follows:

		Carrying Value	Risk
Local and area banks	$	3,347,576	Custodial credit

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for time and savings accounts (including NOW accounts) and $250,000 for demand deposit accounts (interest-bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of $250,000 for the combined amount of all deposits.

The FDIC and collateral coverage applies to all County accounts, and therefore, the amount of insured funds is not determinable for the Board alone.

B. RECEIVABLES

Accounts receivable are expected to be collected within one year.

Governmental funds report *unavailable or unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the Board reported unavailable revenue for unavailable telephone surcharge receivables.

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS

Capital asset activity for the year ended November 30, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated/amortized				
Current work in progress	$ -	$ 213,535	$ -	$ 213,535
Capital assets being depreciated/amortized				
Office furniture	9,400	-	-	9,400
Operational equipment	3,519,339	246,812	833,482	2,932,669
Intangible software	961,548	-	-	961,548
Total Capital Assets Being Depreciated/Amortized	4,490,287	246,812	833,482	3,903,617
Less: Accumulated depreciation/amortization for				
Office furniture	(9,400)	-	-	(9,400)
Operational equipment	(2,070,313)	(338,176)	816,822	(1,591,667)
Intangible software	(565,767)	(115,892)	-	(681,659)
Total Accumulated Depreciation/Amortization	(2,645,480)	(454,068)	816,822	(2,282,726)
Net Capital Assets Being Depreciated/Amortized	1,844,807	(207,256)	16,660	1,620,891
Total Capital Assets, Net of Accumulated Depreciation/Amortization	$ 1,844,807	$ 6,279	$ 16,660	$ 1,834,426

D. LONG-TERM OBLIGATIONS

See Note IV. C. for details pertaining to long-term obligations activity for the year ended November 30, 2016.

NOTE IV – OTHER INFORMATION

A. RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The Board is self-insured, through Lake County, for all of these risks. These activities are accounted for and financed by the County risk management fund and the health, life, and dental internal service fund. Refer to the County statements for additional details.

NOTE IV – OTHER INFORMATION (cont.)

B. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements as expenses when the related liabilities are incurred.

From time to time, the Board is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Board's financial position or results of operations.

C. EMPLOYEES' RETIREMENT SYSTEM

Illinois Municipal Retirement Fund

Plan description. All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF has a two tier plan. Members who first participated in IMRF or an Illinois Reciprocal System prior to January 1, 2011 participate in Tier 1. All other members participate in Tier 2. For Tier 1 participants, pension benefits vest after 8 years of service. Participating members who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1 2/3% of their final rate of earnings (average of the highest 48 consecutive months' earnings during the last 10 years) for credited service up to 15 years and 2% for each year thereafter.

For Tier 2 participants, pension benefits vest after 10 years of service. Participating members who retire at or after age 67 with 10 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1 2/3% of their final rate of earnings (average of the highest 96 consecutive months' earnings during the last 10 years, capped at $106,800) for credited service up to 15 years and 2% for each year thereafter. However, an employee's total pension cannot exceed 75% of their final rate of earnings. If an employee retires after 10 years of service between the ages of 62 and 67, and has less than 30 years of service credit, the pension will be reduced by 1/2% for each month that the employee is under the age of 67. If an employee retires after 10 years of service between the ages of 62 and 67, and has between 30 and 35 years of service credit, the pension will be reduced by the lesser of 1/2% for each month that the employee is under the age of 67 or 1/2% for each month of service credit less than 35 years. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by Illinois Compiled Statutes.

Plan membership. The Board participates in Lake County's retirement plan. The employees of the Board are pooled with the employees of Lake County for purposes of actuarial valuation. As the Board is participating under the County's employer number, IMRF is allocated similar to a cost-sharing plan for the Board.

NOTE V – OTHER INFORMATION (cont.)

C. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Illinois Municipal Retirement Fund (cont.)

Contributions. As set by statute, county employees participating in IMRF's Regular Plan are required to contribute 4.50% of their annual covered salary. The statute requires the county to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The county's actuarially determined contribution rate for calendar year 2014 was 11.11% for the Regular Plan. The county also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At December 31, 2015, the Board's proportionate share of the plan was .18%.

Actuarial Assumptions. The assumptions used to measure the total pension liability in the December 31, 2015 annual actuarial valuation included a 7.50% investment rate of return, (b) projected salary increases from 3.75% to 14.50%, including inflation, and (c) inflation of 3.50% and price inflation of 2.75%. The retirement age is based on experience-based table of rates that are specific to the type of eligibility condition. The tables were last updated for the 2015 valuation pursuant to an experience study of the period 2011-2013.

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Actuarial assumptions	
Investment Rate of Return	7.48%
Inflation	2.75%
Salary increases	3.75% to 14.50%, including inflation

NOTE V – OTHER INFORMATION (cont.)

C. *EMPLOYEES' RETIREMENT SYSTEM* (cont.)

Illinois Municipal Retirement Fund (cont.)

Mortality. For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Long-Term Expected Real Rate of Return. The long-term expected rate of return on pension plan investments was determined using an asset allocation study in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce long-term expected rate of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Portfolio Target Allocation	Long-term Expected Real Rate of Return
Domestic equities	38%	7.6%
International equities	17%	7.8%
Fixed income	27%	3.0%
Real estate	8%	6.15%
Alternative investments	9%	5.25-8.5%
Cash equivalents	1%	2.25%

Discount rate. The discount rate used to measure the total pension liability for IMRF was 7.48%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that county contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the fiduciary net position was projected not to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments of 7.50% was blended with the index rate of 3.57% for tax exempt 20-year general obligation municipal bonds with an average AA credit rating at December 31, 2015 to arrive at discount rates used to determine the total pension liability. The years ending December 31, 2087 are for the Regular Plan, the last years in the 2016 to 2115 projection period for which projected benefit payments are fully funded.

NOTE V – OTHER INFORMATION (cont.)

C. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Illinois Municipal Retirement Fund (cont.)

Discount rate sensitivity. The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the Board's proportionate share of the pension liability of the county calculated using the current discount rates as well as what the net pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower ((1.00)%) or 1 percentage point higher (1.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Proportionate Share of:			
Total pension liability	$ 1,585,674	$ 1,397,015	$ 1,243,495
Plan fiduciary net pension	1,237,313	1,237,313	1,237,313
Proportionate Share of Net Pension Liability	$ 348,361	$ 159,702	$ 6,182

Changes in net pension liability. The Board's proportionate share of changes in net pension liability for the calendar year ended December 31, 2015 was as follows:

	Increase (Decrease)		
	Proportionate Share of Pension Liability (a)	Proportionate Share of Plan Fiduciary Net Position (b)	Proportionate Share of Net Pension Liability/(Asset) (a) - (b)
Balances at December 31, 2014	$ 1,308,156	$ 1,259,094	$ 49,062
Changes for the Year:			
Service cost	25,993	-	25,993
Interest	96,890	-	96,890
Differences between expected and actual experience	21,068	-	21,068
Changes of assumptions	3,467	-	3,467
Contributions – county	-	28,021	(28,021)
Contributions – employees	-	11,726	(11,726)
Net investment income	-	6,248	(6,248)
Benefit payments, including refunds of employee contributions	(58,560)	(58,560)	-
Other changes	-	(9,217)	9,217
Net Changes	88,858	(21,782)	110,640
Balances at December 31, 2015	$ 1,397,014	$ 1,237,312	$ 159,702

NOTE V – OTHER INFORMATION (cont.)

C. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Illinois Municipal Retirement Fund (cont.)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions. For the year ended November 30, 2016, the Board recognized pension expense of $60,487. The Board reported its proportionate share of deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 17,079	$ 4,557
Changes of assumptions	27,403	-
Net difference between projected and actual investment earnings	82,751	-
Contributions subsequent to the measurement date	24,585	-
Totals	$ 151,818	$ 4,557

The amount reported as deferred outflows resulting from contributions subsequent to the measurement date in the above table will be recognized as a reduction in the net pension liability for the year ending November 30, 2016. The remaining amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year	
2016	$ 34,755
2017	34,755
2018	31,734
2019	21,431
Totals	$ 122,675

REQUIRED SUPPLEMENTARY INFORMATION

LAKE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended November 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Telephone surcharges	$ 2,480,000	$ 2,385,423	$ 2,392,677	$ 7,254
User fees	48,000	64,740	65,245	505
Interest	11,000	11,000	15,636	4,636
Miscellaneous	-	-	7,081	7,081
Total Revenues	2,539,000	2,461,163	2,480,639	19,476
EXPENDITURES				
Agency disbursements	25,000	25,000	-	25,000
Auditing fees	7,700	7,700	7,800	(100)
Call takers	375,000	375,000	346,370	28,630
Capital outlay	1,255,000	1,510,001	1,058,413	451,588
Dues	1,000	1,000	990	10
Equipment and maintenance	200,000	200,000	203,973	(3,973)
Fuel	2,000	2,000	1,107	893
Indirect cost allocation	19,888	19,888	19,888	-
Insurance	10,660	10,660	9,950	710
Legal and consulting fees	25,000	25,000	15,231	9,769
Motor vehicle maintenance	3,000	3,000	700	2,300
Office supplies	1,350	1,350	1,793	(443)
Operational supplies	600	600	597	3
Phone services	210,000	210,000	267,127	(57,127)
Postage	200	200	121	79
Salaries and employee benefits	409,796	409,796	370,109	39,687
Telephone	10,000	10,000	7,435	2,565
Trips and training	20,000	20,000	11,251	8,749
All other services	17,344	17,344	13,493	3,851
Total Expenditures	2,593,538	2,848,539	2,336,348	512,191
Net Change in Fund Balance	(54,538)	(387,376)	144,291	531,667
FUND BALANCE - Beginning of Year	3,739,355	3,739,355	3,739,355	-
FUND BALANCE - END OF YEAR	$ 3,684,817	$ 3,351,979	$ 3,883,646	$ 531,667

See independent auditors' report and accompanying notes to required supplementary information.

LAKE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

ILLINOIS MUNICIPAL RETIREMENT FUND

SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY AND SYSTEM CONTRIBUTIONS
Most Recent Fiscal Year

		2016
Board's proportion of the net pension liability		0.18%
Board's proportionate share of the net pension liability	$	159,702
County's proportionate share of the net pension liability		86,184,558
Total net pension liability	$	86,344,260
Covered-employee payroll	$	256,653
Board's proportionate share of the net pension liability as a percentage of covered payroll		62.22%
Plan fiduciary net position as a percentage of the total pension liability		88.57%
Contractually required contribution	$	27,616
Contributions in relation to the contractually required contribution		(28,021)
Contribution deficiency (excess)	$	(405)
Contributions as a percentage of covered employee payroll		10.92%

Note: The Board implemented GASB 68 in fiscal year 2015 however it was immaterial.
Information for fiscal years prior to 2016 is not applicable.

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting as described in Note I.C.

The budgeted amounts presented are as presented in the original budget as well as the final amended budget adopted during the year.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the detail level of expenditure.