

**TRI-COM CENTRAL DISPATCH  
ST. CHARLES, ILLINOIS**

ANNUAL FINANCIAL REPORT

For the Year Ended  
April 30, 2016

We are submitting to you the following draft of your financial statements to expedite your review. As stated in our engagement letter with you, the fair presentation of the financial statements is your responsibility. This draft, or elements within should not be shared with any external parties, nor should any inference be made to any parties that no material adjustments or material disclosure modifications are expected before these statements are submitted as final.

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ST. CHARLES, ILLINOIS  
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**PRELIMINARY AND TENTATIVE  
FOR DISCUSSION PURPOSES ONLY**

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors  
Tri-Com Central Dispatch  
St. Charles, Illinois

We have audited the accompanying financial statements of the Tri-Com Central Dispatch, St. Charles, Illinois (Tri-Com) as of and for the year ended April 30, 2016, and the related notes to financial statements, which collectively comprise Tri-Com'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 an opinion 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 Tri-Com'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 Tri-Com'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 opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tri-Com Central Dispatch, St. Charles, Illinois as of April 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Change in Accounting Principle

As described in Note 9, Tri-Com adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, which establish standards for measuring and recognizing liabilities, deferred inflows and outflows of resources and expenses; modified certain disclosures in the notes to financial statements and the required supplementary information. Our opinion is not modified with respect to these matters.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tri-Com's basic financial statements as a whole. 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 relate 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.

Naperville, Illinois  
**REPORT DATE**

**BASIC FINANCIAL STATEMENTS**

TRI-COM CENTRAL DISPATCH  
ST. CHARLES, ILLINOIS

PRELIMINARY AND TENTATIVE  
FOR DISCUSSION PURPOSES ONLY

STATEMENT OF NET POSITION

April 30, 2016

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<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 2,892,288
Accrued interest receivable	950
	<hr/>
Total current assets	2,893,238
	<hr/>
<b>CAPITAL ASSETS</b>	
Capital assets not being depreciated	619,700
Capital assets being depreciated, at cost	6,730,418
Accumulated depreciation	(3,698,020)
	<hr/>
Total capital assets	3,652,098
	<hr/>
Total assets	6,545,336
	<hr/>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension items - IMRF	493,837
	<hr/>
Total deferred outflows of resources	493,837
	<hr/>
Total assets and deferred outflows of resources	7,039,173
	<hr/>
<b>CURRENT LIABILITIES</b>	
Accounts payable	58,911
Accrued payroll	31,310
Compensated absences payable	168,044
	<hr/>
Total current liabilities	258,265
	<hr/>
<b>NONCURRENT LIABILITIES</b>	
Compensated absences payable	146,367
Net pension liability	1,173,441
	<hr/>
Total noncurrent liabilities	1,319,808
	<hr/>
Total liabilities	1,578,073
	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension items - IMRF	23,560
	<hr/>
Total deferred inflows of resources	23,560
	<hr/>
Total liabilities and deferred inflows of resources	1,601,633
	<hr/>
<b>NET POSITION</b>	
Net investment in capital assets	3,652,098
Unrestricted	1,785,442
	<hr/>
<b>TOTAL NET POSITION</b>	<b>\$ 5,437,540</b>
	<hr/>

See accompanying notes to financial statements.

PRELIMINARY AND TENTATIVE  
FOR DISCUSSION PURPOSES ONLY

**TRI-COM CENTRAL DISPATCH  
ST. CHARLES, ILLINOIS**

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION

For the Year Ended April 30, 2016

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<b>OPERATING REVENUES</b>	
Wireless 911	\$ 898,950
Dispatch services	1,870,789
Reimbursed expenses	1,213,841
Miscellaneous	30
	<hr/>
Total operating revenues	3,983,610
	<hr/>
<b>OPERATING EXPENSES EXCLUDING DEPRECIATION</b>	
Administration	434,408
Operations	2,243,324
	<hr/>
Total operating expenses excluding depreciation	2,677,732
	<hr/>
OPERATING INCOME BEFORE DEPRECIATION	1,305,878
	<hr/>
Depreciation	208,143
	<hr/>
OPERATING INCOME	1,097,735
	<hr/>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment income	3,921
	<hr/>
CHANGE IN NET POSITION	1,101,656
	<hr/>
NET POSITION, MAY 1	4,842,163
	<hr/>
Change in accounting principle	(506,279)
	<hr/>
NET POSITION, MAY 1, RESTATED	4,335,884
	<hr/>
<b>NET POSITION, APRIL 30</b>	<b>\$ 5,437,540</b>

See accompanying notes to financial statements.

PRELIMINARY AND TENTATIVE  
FOR DISCUSSION PURPOSES ONLY

**TRI-COM CENTRAL DISPATCH  
ST. CHARLES, ILLINOIS**

STATEMENT OF CASH FLOWS

For the Year Ended April 30, 2016

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from members	\$ 1,870,819
Receipts from intergovernmental	2,112,791
Payments to employees	(2,055,432)
Payments to suppliers	<u>(495,268)</u>
Net cash from operating activities	<u>1,432,910</u>

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES**

Capital assets purchased	<u>(619,700)</u>
Net cash from capital and related financing activities	<u>(619,700)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received	<u>4,337</u>
Net cash from investing activities	<u>4,337</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 817,547

CASH AND CASH EQUIVALENTS, MAY 1 2,074,741

**CASH AND CASH EQUIVALENTS, APRIL 30** \$ 2,892,288

**RECONCILIATION OF OPERATING INCOME TO NET  
CASH FLOWS FROM OPERATING ACTIVITIES**

Operating income	\$ 1,097,735
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation	208,143
Changes in assets and liabilities	
Accounts payable	(1,263)
Accrued payroll	(57,842)
Net pension liability and deferred outflows and inflows of resources	196,885
Compensated absences	<u>(10,748)</u>

**NET CASH FROM OPERATING ACTIVITIES** \$ 1,432,910

See accompanying notes to financial statements.



**TRI-COM CENTRAL DISPATCH  
ST. CHARLES, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

April 30, 2016

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Tri-Com Central Dispatch, St. Charles, Illinois (Tri-Com) 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 Tri-Com's accounting policies are described below.

a. Reporting Entity

Tri-Com was created in 1976 by the member cities of Batavia, Geneva and St. Charles to provide emergency communications services to those communities. Tri-Com is a municipal corporation governed by an Executive Director and nine-member board, with each member municipality appointing three representatives on the board. As required by GAAP, these financial statements present Tri-Com and its component units, entities for which Tri-Com is considered to be financially accountable. Tri-Com has no component units to report and is not reported as a component unit of any other entity.

b. Fund Accounting

Tri-Com uses funds to report on its financial position and the changes in its financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Tri-Com utilizes an enterprise fund to report its financial position, results of operations and cash flows. Enterprise funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to outside parties and typically are the result of exchange or exchange-like transactions.

Tri-Com reports the following major fund:

The Tri-Com Central Dispatch Fund accounts for the intergovernmental cooperation association organized to provide the centralized public safety communications system for the cities of Batavia, Geneva, St. Charles, and several other units of local government. Funding is provided by member assessments and surcharge revenues.

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

c. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Enterprise fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. Operating revenues and expenses are directly attributable to the operation of the enterprise funds. Non-operating revenue/expenses are incidental to the operations of these funds.

The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

d. Cash and Cash Equivalents

For purposes of the statement of cash flows, Tri-Com's enterprise fund type considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments with a maturity of less than one year when purchased and non-negotiable certificates of deposit are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value.

e. Capital Assets

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Tri-Com adopted a minimum threshold of \$5,000 for recording buildings and improvements, machinery and equipment and vehicles.

Depreciation of capital assets is computed using the straight-line method.

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

e. Capital Assets (Continued)

The following estimated useful lives are used to compute depreciation:

	<u>Years</u>
Buildings	50
Improvements other than buildings	20
Machinery and equipment	4-20
Vehicles	4-20

f. Compensated Absences

Tri-Com permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as an expense and liability of Tri-Com as the benefits accrue to employees. Accumulated sick leave lapses when employees leave the employ of Tri-Com; therefore, upon separation from service no monetary obligation exists, except in cases of retirement in which employees receive payment for up to 60 days of unused sick time.

g. Deferred Inflows/Outflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

h. Net Position

Net investment in capital assets represents the book value of capital assets less any outstanding long-term debt issued to construct or acquire capital assets. Restricted net position is legally restricted by outside parties for a specific purpose. Unrestricted net position is available for Tri-Com to use for general purposes.

Tri-Com'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.

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

i. 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 expenses during the reporting period. Actual results could differ from those estimates.

**2. DEPOSITS AND INVESTMENTS**

Tri-Com's investment policy through the City of Geneva (the City) and Illinois Compiled Statutes (ILCS) authorize Tri-Com to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, obligations of states and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services and Illinois Funds.

Investments in Illinois Funds, a money market pool created by the Illinois State Legislature under the control of the Illinois State Treasurer, is reported at \$1 per share value, which equals Tri-Com's fair value of the pool.

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, Tri-Com's deposits may not be returned to it. Tri-Com's obtain pledging of collateral for all bank balances in excess of federal depository insurance, at an amount greater than the fair market value of the funds secured, with the collateral held by an independent third party in Tri-Com's name.

Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Tri-Com limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for short and long-term cash flow needs while providing a reasonable rate of return based on the current market.

Tri-Com limits its 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 external investment pools. Illinois Funds are rated AAA.

**2. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, Tri-Com will not be able to recover the value of their investments that are in possession of an outside party. To limit its exposure, Tri-Com's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as Tri-Com's agent separate from where the investment was purchased or by the trust department of the bank where purchased, in Tri-Com's name. Illinois Funds are not subject to custodial credit risk.

Concentration of credit risk is the risk that Tri-Com has a high percentage of their investments invested in one type of investment. Tri-Com's investment policy requires diversification of investments to avoid unreasonable risk.

The following table represents the investments and maturities of Tri-Com's debt securities as of April 30, 2016:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. agency obligations	\$ 250,000	\$ -	\$ 250,000	\$ -	\$ -
Negotiable CDs	244,800	-	244,800	-	-
<b>TOTAL</b>	<b>\$ 494,800</b>	<b>\$ -</b>	<b>\$ 494,800</b>	<b>\$ -</b>	<b>\$ -</b>

**3. CAPITAL ASSETS**

Tri-Com's changes in capital assets for the year ended April 30, 2016 are as follows:

	Balances May 1	Additions	Retirements	Balances April 30
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 619,700	\$ -	\$ 619,700
Total capital assets not being depreciated	-	619,700	-	619,700
Capital assets being depreciated				
Buildings	3,271,389	-	-	3,271,389
Improvements other than buildings	1,615,011	-	-	1,615,011
Machinery and equipment	1,821,581	-	-	1,821,581
Vehicles	22,437	-	-	22,437
Total capital assets being depreciated	6,730,418	-	-	6,730,418

**TRI-COM CENTRAL DISPATCH  
ST. CHARLES, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**PRELIMINARY AND TENTATIVE  
FOR DISCUSSION PURPOSES ONLY**

**3. CAPITAL ASSETS (Continued)**

	Balances May 1	Additions	Retirements	Balances April 30
Less accumulated depreciation for				
Buildings	\$ 542,532	\$ 65,428	\$ -	\$ 607,960
Improvements other than buildings	1,582,774	21,491	-	1,604,265
Machinery and equipment	1,342,134	121,224	-	1,463,358
Vehicles	22,437	-	-	22,437
Total accumulated depreciation	<u>3,489,877</u>	<u>208,143</u>	<u>-</u>	<u>3,698,020</u>
Total capital assets being depreciated, net	<u>3,240,541</u>	<u>(208,143)</u>	<u>-</u>	<u>3,032,398</u>
<b>CAPITAL ASSETS, NET</b>	<u><b>\$ 3,240,541</b></u>	<u><b>\$ 411,557</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 3,652,098</b></u>

**4. LONG-TERM DEBT**

The change in other long-term debt payable is as follows:

	Balances May 1, Restated	Increase	Decrease	Balances April 30	Current Portion
Compensated absences	\$ 325,159	\$ -	\$ 10,748	\$ 314,411	\$ 168,045
Net pension liability - IMRF	<u>564,677</u>	<u>608,764</u>	<u>-</u>	<u>1,173,441</u>	<u>-</u>
<b>TOTAL</b>	<u><b>\$ 889,836</b></u>	<u><b>\$ 608,764</b></u>	<u><b>\$ 10,748</b></u>	<u><b>\$ 1,487,852</b></u>	<u><b>\$ 168,045</b></u>

As discussed in Note 9, beginning balances were restated to record the opening net pension liability amount for the Illinois Municipal Retirement Fund.

**5. INTERGOVERNMENTAL AGREEMENT**

The cities of St. Charles, Batavia and Geneva, on or about June 7, 1976, entered into an agreement in order to establish the Tri-Com for the purpose of providing communication services for police, fire, ambulance and other emergency communication systems for the mutual benefit of the members of the venture; to provide such services on a contract basis to other public agencies; and to provide a forum for discussion, study, development and implementation of recommendations of mutual interests regarding communications, information systems, statistical matters and criminal justice, fire safety, emergency medical and telephone emergency request systems, public safety information communication and data processing within portions of Kane, DuPage and Kendall Counties in Illinois. As part of the agreement, the City was named as the administrative entity of Tri-Com and as a result, the City provides accounting services to Tri-Com and collects all members' service and usage fees.

**6. RISK MANAGEMENT**

Tri-Com is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; illnesses of employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three fiscal years.

**7. DEFINED BENEFIT PENSION PLANS**

Illinois Municipal Retirement Fund

Tri-Com contributes, through the City, to the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system. However, Tri-Com's participation in IMRF is equivalent to a cost sharing multiple-employer pension plan since only one actuarial valuation is performed for both the City and Tri-Com combined. All disclosures for an agent plan can be found in the City's comprehensive annual financial report.

*Plan Administration*

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members.

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable. Investments are reported at fair value.

*Benefits Provided*

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011 are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited 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, for each year of credited service up to 15 years, and 2% for each year thereafter. Employees hired on or after January 1, 2011 are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited 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, for each year of credited service up to 15 years, and 2% for each year thereafter.

IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

Illinois Municipal Retirement Fund (Continued)

*Contributions*

Participating members are required to contribute 4.5% of their annual salary to IMRF. The City and Tri-Com are required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution rate for the calendar year ended 2015 was 12.26% of covered payroll. For the year ended April 30, 2016, salaries totaling \$1,505,574 were paid that required employer contributions of \$184,584, which was equal to Tri-Com's actual contributions.

*Net Pension Liability*

As of April 30, 2016, Tri-Com reported a liability of \$1,173,441 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 (plan measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Tri-Com's proportion of the net pension liability was based on Tri-Com's actual contribution to the plan for the year ended April 30, 2016 relative to the contributions of the City, actuarially determined. Tri-Com's proportion was 18% of the total contribution.

*Actuarial Assumptions*

Tri-Com's 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 performed as of the same date using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2015
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	3.50%
Salary increases	3.75% to 14.50%
Interest rate	7.50%
Cost of living adjustments	3.00%
Asset valuation method	Market value



**7. DEFINED BENEFIT PENSION PLANS (Continued)**

Illinois Municipal Retirement Fund (Continued)

*Actuarial Assumptions (Continued)*

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2015 (base year 2015). IMRF specific rates were developed from the RP-2015 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-2015 (base year 2015). IMRF specific rates were developed from the RP-2015 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2015 (base year 2015). IMRF specific rates were developed from the RP-2015 Employee Mortality Table with adjustments to match current IMRF experience.

*Discount Rate*

The discount rate used to measure the total pension liability 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 the City and Tri-Com contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.50% was blended with the index rate of 3.57% for tax exempt general obligation municipal bonds rated AA or better at December 31, 2015 to arrive at a discount rate of 7.48% used to determine the total pension liability.

For the period ended December 31, 2015, Tri-Com recognized pension expense of \$377,772.

**7. DEFINED BENEFIT PENSION PLAN (Continued)**

Illinois Municipal Retirement Fund (Continued)

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources*

At April 30, 2016, Tri-Com reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 23,560
Changes in assumptions	17,211	-
Net difference between projected and actual earnings on pension plan investments	415,706	-
Contributions made subsequent to the measurement date	60,920	-
	<u>                    </u>	<u>                    </u>
<b>TOTAL</b>	<u><u>\$ 493,837</u></u>	<u><u>\$ 23,560</u></u>

Changes in assumptions related to retirement age and mortality were made since the prior measurement date.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

<u>Year Ending April 30</u>	
2017	\$ 163,095
2018	102,175
2019	102,175
2020	102,832
2021	-
Thereafter	-
	<u>                    </u>
<b>TOTAL</b>	<u><u>\$ 470,277</u></u>

**7. DEFINED BENEFIT PENSION PLAN (Continued)**

Illinois Municipal Retirement Fund (Continued)

*Discount Rate Sensitivity*

The following is a sensitive analysis of the net pension liability to changes in the discount rate.

The table below presents the net pension liability of Tri-Com calculated using the discount rate of 7.48% as well as what Tri-Com’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.48%) or 1 percentage point higher (8.48%) than the current rate:

	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Net pension liability	\$ 2,366,886	\$ 1,173,441	\$ 197,341

**8. OTHER POSTEMPLOYMENT BENEFITS**

Tri-Com has evaluated its potential other postemployment benefits liability. Tri-Com provides continued health insurance coverage at the active employer rate to all eligible employees in accordance with ILCS, which creates an implicit subsidy of retiree health insurance. Former employees who choose to retain their rights to health insurance through Tri-Com are required to pay 100% of the current premium. However, historically there has been 0% utilization and, therefore, no implicit subsidy to calculate in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Additionally, Tri-Com had no former employees for whom Tri-Com was providing an explicit subsidy and no current employees with agreements for future explicit subsidies upon retirement. Therefore, Tri-Com has not recorded any postemployment benefit liability as of April 30, 2016.

**9. CHANGE IN ACCOUNTING PRINCIPLE**

With the implementation of GASB Statements No. 68 and No. 71, Tri-Com is required to retroactively record the net pension liability and a deferred outflow of resources for contributions made outside the measurement period. This change in accounting principle resulted in a decrease to net position of \$564,677 as of May 1, 2015 to record the IMRF net pension liability and an increase to net position of \$58,398 to record deferred outflows as of May 1, 2015 for a net change in accounting principle that reduced opening net position by \$506,279.

**10. SUBSEQUENT EVENT**

On July 13, 2016, the Board of Directors of Tri-Com approved the resolution authorizing the execution of a communications service agreement with the City of South Elgin Police Department. The City of South Elgin will pay Tri-Com \$260,299 to provide telecommunication services for the initial period of April 1, 2017 to April 30, 2018. The agreement must be renewed on an annual basis, effective May 1<sup>st</sup> of each year. The agreement also requires South Elgin to make an operational reserve contribution, which will not exceed \$94,874, to Tri-Com before March 31, 2017.

**REQUIRED SUPPLEMENTARY INFORMATION**

PRELIMINARY AND TENTATIVE

**TRI-COM DISPATCH CENTER FOR DISCUSSION PURPOSES ONLY**  
**ST. CHARLES, ILLINOIS**

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2016

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	<u>2016</u>
Actuarially determined contribution	\$ 184,584
Contributions in relation to the actuarially determined contribution	<u>184,584</u>
<b>CONTRIBUTION DEFICIENCY (Excess)</b>	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 1,505,574
Contributions as a percentage of covered-employee payroll	12.26%

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of December 31, 2013. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 28 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.50% annually, projected salary increases assumption of 3.75% to 14.50% compounded annually and postretirement benefit increases of 3.00% compounded annually.

(See independent auditor's report.)

PRELIMINARY AND TENTATIVE  
FOR DISCUSSION PURPOSES ONLY

**TRI-COM DISPATCH CENTER**  
**ST. CHARLES, ILLINOIS**

SCHEDULE OF TRI-COM'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2016

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	<u>2016*</u>
Employer's proportion of net pension liability	18.00%
Employer's proportionate share of net pension liability	\$ 1,173,441
Employer's covered-employee payroll	1,505,574
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	77.94%
Plan fiduciary net position as a percentage of the total pension liability	86.21%

\*IMRF's measurement date is December 31, 2015; therefore, information above is presented for the calendar year ended December 31, 2015.

(See independent auditor's report.)

**SUPPLEMENTARY INFORMATION**



**TRI-COM DISPATCH CENTER  
ST. CHARLES, ILLINOIS**

**PRELIMINARY AND TENTATIVE  
FOR DISCUSSION PURPOSES ONLY**

SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION - BUDGET AND ACTUAL - BUDGETARY BASIS

For the Year Ended April 30, 2016

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>OPERATING REVENUES</b>			
Wireless 911	\$ 900,000	\$ 900,000	\$ 898,950
Dispatch services	1,870,640	1,870,640	1,870,789
Reimbursed expenses	6,150	1,306,150	1,213,841
Miscellaneous	-	-	30
Total operating revenues	2,776,790	4,076,790	3,983,610
<b>OPERATING EXPENSES EXCLUDING DEPRECIATION</b>			
Administration			
Personal services			
Wages - regular	226,627	226,627	202,114
Wages - part-time/seasonal	73,477	73,477	61,851
Group insurance	36,610	36,610	33,170
Medicare	4,352	4,352	3,734
Social Security	18,490	18,490	15,965
IMRF	36,624	36,624	31,774
Total personal services	396,180	396,180	348,608
Contractual services			
Accounting and auditing service	9,950	9,950	9,264
Legal service	15,000	15,000	8,902
Banking service	100	100	-
Dues and subscriptions	1,860	1,860	505
Travel and meals	5,400	5,400	1,727
Training and professional development	2,000	2,000	1,125
Liability insurance	25,595	25,595	24,603
Other contractual services	-	-	33,536
Printing outside services	-	-	212
Total contractual services	59,905	59,905	79,874
Commodities			
Telephone	720	720	720
Office furniture	500	500	424
Maintenance service	300	300	-
Postage	300	300	280
Publishing	400	400	1,369
Printing	300	300	-
Rentals	-	-	1,330
Motor fuel and lubricants	2,000	2,000	1,195
Clothing allowance	900	900	608
Total commodities	5,420	5,420	5,926
Total administration	461,505	461,505	434,408

(This schedule is continued on the following pages.)

**TRI-COM DISPATCH CENTER  
ST. CHARLES, ILLINOIS**

**PRELIMINARY AND TENTATIVE  
FOR DISCUSSION PURPOSES ONLY**

SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION - BUDGET AND ACTUAL - BUDGETARY BASIS (Continued)

For the Year Ended April 30, 2016

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>OPERATING EXPENSES EXCLUDING DEPRECIATION (Continued)</b>			
Operations			
Personal services			
Wages - regular	\$ 1,222,305	\$ 1,222,305	\$ 1,089,685
Overtime	65,100	55,500	108,212
Training premium pay	7,205	6,000	5,785
TIC premium pay	10,795	9,000	7,950
Group insurance	234,059	234,059	189,714
Medicare	17,725	18,645	16,993
Social Security	75,786	79,721	72,661
IMRF	150,256	158,001	147,234
IMRF pension expense	-	-	196,885
Total personal services	<u>1,783,231</u>	<u>1,783,231</u>	<u>1,835,119</u>
Contractual services			
Medical service	1,260	1,260	1,364
Janitorial service	5,400	5,400	19,727
Other professional services	6,000	6,000	5,505
Dues and subscriptions	980	980	1,309
Travel and meals	2,550	2,550	7,779
Training and professional development	8,000	8,000	9,040
Maintenance service	6,820	6,820	8,397
Total contractual services	<u>31,010</u>	<u>31,010</u>	<u>53,121</u>
Commodities			
Telephone	132,000	132,000	174,613
Internet	1,300	1,300	165
Office supplies	4,000	4,000	3,859
Office equipment	-	-	492
Office furniture	500	500	764
Janitorial supplies	300	300	376
Computer software	5,000	5,000	7,373
Employee awards	1,000	1,000	550
Maintenance service	120,000	120,000	118,394
Publishing	300	300	-
Utilities	36,195	36,195	34,776
Rentals	6,500	6,500	5,650
Maintenance supplies	2,500	2,500	35
Operating supplies	2,500	2,500	2,381
Clothing allowance	4,250	4,250	5,377
Total commodities	<u>316,345</u>	<u>316,345</u>	<u>354,805</u>

(This schedule is continued on the following page.)

**TRI-COM DISPATCH CENTER  
ST. CHARLES, ILLINOIS**

**PRELIMINARY AND TENTATIVE  
FOR DISCUSSION PURPOSES ONLY**

SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION - BUDGET AND ACTUAL - BUDGETARY BASIS (Continued)

For the Year Ended April 30, 2016

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>OPERATING EXPENSES EXCLUDING DEPRECIATION (Continued)</b>			
Operations (Continued)			
Capital			
Machinery and equipment	\$ 45,500	\$ 1,345,500	\$ 619,979
Building and improvements	15,000	15,000	-
Total capital	<u>60,500</u>	<u>1,360,500</u>	<u>619,979</u>
Total operations	<u>2,191,086</u>	<u>3,491,086</u>	<u>2,863,024</u>
Total operating expenses	<u>2,652,591</u>	<u>3,952,591</u>	<u>3,297,432</u>
OPERATING INCOME	<u>124,199</u>	<u>124,199</u>	<u>686,178</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Prior year budgeted surplus	125,399	125,399	-
Investment income	1,200	1,200	3,921
Total non-operating revenues (expenses)	<u>126,599</u>	<u>126,599</u>	<u>3,921</u>
CHANGE IN NET POSITION - BUDGETARY BASIS	<u>\$ 250,798</u>	<u>\$ 250,798</u>	<u>690,099</u>
<b>ADJUSTMENTS TO GAAP BASIS</b>			
Capital assets capitalized			619,700
Depreciation			<u>(208,143)</u>
Total adjustments to GAAP basis			<u>411,557</u>
CHANGE IN NET POSITION - GAAP BASIS			<u>1,101,656</u>
NET POSITION, MAY 1			4,842,163
Change in accounting principle			<u>(506,279)</u>
NET POSITION, MAY 1, RESTATED			<u>4,335,884</u>
<b>NET POSITION, APRIL 30</b>			<u><u>\$ 5,437,540</u></u>

(See independent auditor's report.)