

DEKALB COUNTY EMERGENCY
TELEPHONE SYSTEM BOARD
SYCAMORE, ILLINOIS

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
December 31, 2010

A Sikich LLP

Certified Public Accountants & Business Advisors

DEKALB COUNTY EMERGENCY
 TELEPHONE SYSTEM BOARD
 SYCAMORE, ILLINOIS
 TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	1-2
GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS	
Management’s Discussion and Analysis	MD&A 1-5
Basic Financial Statements	
Statement of Net Assets	3
Statement of Activities	4
Governmental Funds	
Balance Sheet	5
Statement of Revenues, Expenditures and Changes in Fund Balances.....	6
Notes to Financial Statements	7-13
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund	14
Wireless Fund	15
Notes to Required Supplementary Information.....	16
SUPPLEMENTAL DATA	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Capital Fund	17



998 Corporate Boulevard • Aurora, IL 60502

INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman
Members of the Board of Trustees
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 Board), Sycamore, Illinois, as of and for the year ended December 31, 2010, which collectively comprise the Board's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the DeKalb County Emergency Telephone System Board's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2010, and the respective changes in financial position, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the DeKalb County Emergency Telephone System Board's basic financial statements taken as a whole. The supplemental data is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental data has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Aurora, Illinois
February 11, 2011

A handwritten signature in black ink, appearing to read "Bill DP", is positioned to the right of the date.

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, 2010.

Financial Highlights

The assets of the 911 ETSB of DeKalb County exceeded its liabilities at the close of the fiscal year by \$2,221,214 (net assets). Of this amount, \$1,515,624 in unrestricted net assets may be used to meet the Board's ongoing obligations.

The Board's total net assets increased over the 2010 year by \$17,648. This was due to revenues that exceeded expenditures.

The Board continued the practice of making annual contributions to a Capital Fund in anticipation of a major Next Generation 911 equipment purchase.

As of the close of fiscal year 2010, the Board's governmental funds reported an ending fund balance of \$2,055,998, an increase of \$11,295 in comparison to the prior year. This is due to lower than anticipated expenditures in part due to a delay in capital projects contingent upon another taxing district.

At the end of the 2010 fiscal year, the unreserved fund balance was \$1,515,624. This figure is higher than the prior year as revenues continue to exceed expenditures. The current unreserved fund balance of \$1,515,624 is 644% of the total general fund expenditures of \$235,305.

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 assets; 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 as well as the financial statements themselves.

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

The Statement of Activities presents information showing how the Board's net assets changed during the most recent fiscal year. All changes in net assets 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, wireless fees, 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 System 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 of a government's general activities, including the collection and disbursement of earmarked monies (special revenue wireless 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 Board's activities not accounted for in some other fund.

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a Board's financial position. In the case of the 911 ETSB, assets exceeded liabilities by \$2,221,214 at the close of fiscal year 2010.

By far the largest portion of the 911 ETSB net assets, 86 percent, reflects its cash and investments, with the remaining balance including accounts receivable, prepaid expenses and capital assets. The 911 ETSB of DeKalb County uses these cash assets to provide on-going services to citizens. The Board is responsible for providing vital public safety services that require periodic large expenditures to maintain its 911 dispatching system. In addition the Board 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 ASSETS**

	Governmental Activities 2010	Governmental Activities 2009
Current and other Assets	\$2,109,094	\$2,068,428
Capital Assets	\$165,216	\$158,863
Total Assets	\$2,274,310	\$2,227,291
Long-term Liabilities outstanding	-	-
Other Liabilities	\$53,096	\$23,725
Total Liabilities	\$53,096	\$23,725
Net Assets:		
Invested in capital assets Net of related debt	\$165,216	\$158,863
Restricted For Wireless	\$540,374	\$789,935
Unrestricted	\$1,515,624	\$1,254,768
Total Net Assets	\$2,221,214	\$2,203,566

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

The Board's total net assets increased by \$17,648 during the current fiscal year.

Governmental activities. Governmental activities increased the 911 ETSB net assets by \$17,648. Key elements of the overall increase are as follows:

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

	Governmental Activities 2010	Governmental Activities 2009
Program Revenues:		
911 Surcharge	\$371,609	\$391,288
Wireless Fees	\$491,008	\$518,362
General Revenues:		
Investment Income	\$10,458	\$22,437
Miscellaneous Income	\$2,722	\$1,515
Total General Revenues	\$875,797	\$933,602
Expenses:		
Public Safety	\$858,149	\$721,998
Total Expenses	\$858,149	\$721,998
Increase in net assets	\$17,648	\$211,604
Net assets on December 31, 2009		\$2,203,566
Net assets on December 31, 2010	\$2,221,214	

Charges for services in the form of 911 surcharges decreased during the year due to the number of households who have only cellular service. In 2010, and the two previous years, the state made a one-time distribution of excess wireless funds. We have been informed that future supplemental distributions are unlikely. In addition, there was a decrease from the previous year in investment income due to declining interest rates.

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 Board's financing requirements. In particular, unreserved 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 \$2,055,998, an increase of \$11,295 in comparison with the previous fiscal year end.

From that total, wireless funds of \$540,374 are reserved for special use.

The general fund is the primary operating fund of the 911 ETSB. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$313,891. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balances represents 133% of total general fund expenditures.

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

Budgetary Highlights

The original budgets of all three funds were amended due to the transfer of funds from the general and wireless funds to the capital fund in anticipation of future capital requirements. These transfers were larger than prior years due to the imminent implementation of Next Gen 911. In addition all three budgets were amended to account for unanticipated increases in revenues and expenditures.

Training costs increased significantly due to state mandates. This will be a large ongoing expense.

The coordinator became a participant in IMRF. Retroactive payments for her prior service were also made this year.

Capital Assets

Capital assets. The 911 ETSB of DeKalb County's investment in capital assets for its governmental activities as of December 31, 2009 totals \$165,216 (net of accumulated depreciation). This investment in capital assets includes machinery and equipment. There was a net increase in capital assets of \$6,353 in the current fiscal year, due to the addition of two microwave radio links between DeKalb and Waterman, and Waterman and Somonauk.

DeKalb County 911 ETSB Capital Assets
(net of depreciation)

	Governmental Activities 2010	Governmental Activities 2009
Machinery & Equipment	\$165,216	\$158,863
Total	\$165,216	\$158,863

Additional information on the 911 ETSB of DeKalb County's capital assets can be found in note 3 of this report.

Economic Factors and Next Fiscal Year's Budgets

The 911 surcharge will continue to decrease as more citizens forego installing hard line phone in their homes.

Wireless fees may continue to increase as more cellular phones are brought into use. However, prepaid phone usage is on the rise, and they currently do not pay 911 fees. Legislation has been proposed to require them to do so.

Investment income, impacted by declining interest rates, will continue to trend lower.

Voice Over Internet Protocol (VoIP) will have an impact on the Board's financial picture that is yet to be determined.

The Board once again anticipates a potential increase in tariff from Verizon/Frontier for the upcoming year.

DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
SYCAMORE, ILLINOIS

STATEMENT OF NET ASSETS

December 31, 2010

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 1,905,478
Receivables	
Accounts	194,333
Prepaid expenses	9,283
Capital assets, net of accumulated depreciation	<u>165,216</u>
 Total assets	 <u>2,274,310</u>
LIABILITIES	
Accounts payable	<u>53,096</u>
 Total liabilities	 <u>53,096</u>
NET ASSETS	
Invested in capital assets	165,216
Restricted for wireless	540,374
Unrestricted	<u>1,515,624</u>
 TOTAL NET ASSETS	 <u><u>\$ 2,221,214</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, 2010

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Change in Net Assets
PRIMARY GOVERNMENT	Expenses	Charges for Services	Operating Grants	Capital Grants	Primary Governmental Activities
Governmental Activities					
Public safety	\$ 858,149	\$ 862,617	\$ -	\$ -	\$ 4,468
Total governmental activities	858,149	862,617	-	-	4,468
TOTAL PRIMARY GOVERNMENT	\$ 858,149	\$ 862,617	\$ -	\$ -	4,468
		General Revenues			
		Investment income			10,458
		Miscellaneous			2,722
		Total			13,180
		CHANGE IN NET ASSETS			17,648
		NET ASSETS, JANUARY 1, 2010			2,203,566
		NET ASSETS, DECEMBER 31, 2010			\$ 2,221,214

See accompanying notes to financial statements.

DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
SYCAMORE, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2010

	General	Special Revenue Wireless	Capital Projects Capital	Total Governmental Funds
ASSETS				
Cash and investments	\$ 609,122	\$ 695,963	\$ 600,393	\$ 1,905,478
Receivables				
Accounts	38,225	156,108	-	194,333
Due from other funds	-	-	600,000	600,000
Prepaid expenses	948	-	8,335	9,283
TOTAL ASSETS	\$ 648,295	\$ 852,071	\$ 1,208,728	\$ 2,709,094
LIABILITIES				
Accounts payable	\$ 34,404	\$ 11,697	\$ 6,995	\$ 53,096
Due to other funds	300,000	300,000	-	600,000
Total liabilities	334,404	311,697	6,995	653,096
FUND BALANCES				
Reserved for wireless	-	540,374	-	540,374
Unreserved				
Designated for capital outlay	-	-	1,201,733	1,201,733
Undesignated	313,891	-	-	313,891
Total fund balances	313,891	540,374	1,201,733	2,055,998
TOTAL LIABILITIES AND FUND BALANCES	\$ 648,295	\$ 852,071	\$ 1,208,728	

Reconciliation of fund balances of governmental funds to the governmental activities in the statement of net assets

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

165,216

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 2,221,214

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, 2010

	General	Special Revenue Wireless	Capital Projects Capital	Total Governmental Funds
REVENUES				
Charges for services	\$ 371,609	\$ 491,008	\$ -	\$ 862,617
Investment income	1,160	5,393	3,905	10,458
Miscellaneous revenue	2,722	-	-	2,722
Total revenues	375,491	496,401	3,905	875,797
EXPENDITURES				
Current				
Public safety				
Personal services	17,248	34,699	-	51,947
Commodities and services	195,956	411,263	-	607,219
Capital outlay	22,101	-	183,235	205,336
Total expenditures	235,305	445,962	183,235	864,502
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	140,186	50,439	(179,330)	11,295
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(300,000)	(300,000)	600,000	-
NET CHANGE IN FUND BALANCES	(159,814)	(249,561)	420,670	11,295
FUND BALANCES, JANUARY 1, 2010	473,705	789,935	781,063	
FUND BALANCES, DECEMBER 31, 2010	\$ 313,891	\$ 540,374	\$ 1,201,733	
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				(28,647)
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities:				
Capital outlay				35,000
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES				\$ 17,648

See accompanying notes to financial statements.

DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
SYCAMORE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the DeKalb County Emergency Telephone System Board (ETSB) 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, 2010, the following governments were participating agencies of the ETSB:

City of DeKalb	Cortland Fire Department
DeKalb Police Department	DeKalb County Sheriff's Department
Earlville Fire Department	Genoa/Kingston Fire Department
Hinckley Fire Department	Kirkland Fire Department
Lee Fire Department	Leland Fire Department
Malta Fire Department	Maple Park Fire Department
Paw Paw Fire Department	Sandwich Fire Department
Sandwich Police Department	Shabbona Fire Department
Somonauk Fire Department	Sycamore Fire Department
Sycamore Police 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 a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), and the acquisition or construction of capital assets (capital project funds). The general fund is used to account for all activities of the ETSB 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 assets and the statement of activities) report information on all of the nonfiduciary activities of the ETSB. The effect of material interfund activity has been eliminated from these statements.

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 required to be accounted for in another fund.

The Wireless Fund, a special revenue fund, is used to account for wireless fees collected and distributed by the State of Illinois and for expenditures for the design, implementation, operation, maintenance or upgrade of wireless 911 or E-911 services.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Basis of Accounting

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

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

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. A 90-day availability period is used for revenue recognition for all governmental fund revenues. 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 maturity greater than one year at time of purchase, if any, are stated at fair value. Nonnegotiable certificates of deposit, if any, are reported at cost.

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 estimated fair market 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. Property, plant 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 Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. None of the restricted net assets are restricted as a result of enabling legislation adopted by the ETSB. Invested in capital assets, net of related debt is the net cost (book value) of the capital assets, less the principal of any long-term debt outstanding that was issued to construct, purchase or otherwise acquire the capital asset.

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

To guard against 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.

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

2. DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

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.

Custodial credit risk is the risk that, in the event of failure of the counterparty to the investment, the ETSB will not be able to recover some or all of the investment that is in possession of an outside party. To limit its exposure, the ETSB's investment policy requires that all security transactions exposed to custodial credit risk are processed on a DVP (delivery vs. payment) 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. All of the ETSB's deposits were covered by either FDIC or collateral at December 31, 2010.

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	Balance January 1, 2010	Increases	Decreases	Balance December 31, 2010
GOVERNMENTAL ACTIVITIES				
Capital assets being depreciated				
Machinery and equipment	\$ 551,527	\$ 35,000	\$ -	\$ 586,527
Total capital assets being depreciated	<u>551,527</u>	<u>35,000</u>	<u>-</u>	<u>586,527</u>
Less accumulated depreciation for				
Machinery and equipment	392,664	28,647	-	421,311
Total accumulated depreciation	<u>392,664</u>	<u>28,647</u>	<u>-</u>	<u>421,311</u>
Total capital assets being depreciated, net	<u>158,863</u>	<u>6,353</u>	<u>-</u>	<u>165,216</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 158,863</u>	<u>\$ 6,353</u>	<u>\$ -</u>	<u>\$ 165,216</u>

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

GOVERNMENTAL ACTIVITIES	
Public safety	<u>\$ 28,647</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 28,647</u>

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

4. INTERFUND ASSETS/LIABILITIES

Due to/from other funds at December 31, 2010 consist of the following:

	<u>Due From</u>	<u>Due To</u>
General Capital	\$ -	\$ 300,000
Wireless Capital	-	300,000
Capital General	300,000	-
Wireless	300,000	-
TOTAL	<u>\$ 600,000</u>	<u>\$ 600,000</u>

The purposes of the due to/due from other funds are as follows:

- \$300,000 due to the Capital Fund from the General Fund is for future capital purposes and will be transferred in February 2011.
- \$300,000 due to the Capital Fund from the Wireless Fund is for future capital purposes and will be transferred in February 2011.

Transfers to/from other funds at December 31, 2010 consist of the following:

	<u>Transfer From</u>	<u>Transfer To</u>
General Capital	\$ -	\$ 300,000
Wireless Capital	-	300,000
Capital General	300,000	-
Wireless	300,000	-
TOTAL	<u>\$ 600,000</u>	<u>\$ 600,000</u>

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

4. INTERFUND ASSETS/LIABILITIES (Continued)

The purposes of the transfers are as follows:

- \$300,000 transferred to the Capital Fund from the General Fund is funding for future capital purposes. This transfer will not be repaid.
- \$300,000 transferred to the Capital Fund from the Wireless Fund is funding for future capital purposes. 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. Settled claims from these risks have not exceeded commercial insurance coverage in the current fiscal year or the preceding fiscal year.

6. PENSION PLAN

The participating employee is covered by the Illinois Municipal Retirement Fund (IMRF) and Social Security, respectively. Contributions are paid by DeKalb County, and are reimbursed by the ETSB. Additional information on the IMRF plan, including funding requirements and the actuarial accrued liability is presented in the comprehensive annual financial report of DeKalb 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, 2010

	Original Budget	Final Budget	Actual
REVENUES			
Charges for services			
911 surcharge	\$ 350,000	\$ 350,000	\$ 371,609
Investment income	3,000	3,000	1,160
Miscellaneous	1,000	3,000	2,722
Total revenues	354,000	356,000	375,491
EXPENDITURES			
Personal services	15,700	17,600	17,248
Commodities and services			
Telephone	103,000	103,000	90,289
Travel	7,500	7,500	5,985
Training	45,000	45,000	7,927
Insurance	5,000	5,000	4,525
Office supplies	1,100	1,100	1,011
Office expense	3,000	3,000	3,000
Dues and memberships	300	300	212
Education	1,500	1,500	1,276
Professional services	13,500	13,500	13,250
Mapping	10,000	10,000	10,000
Lockbox service	2,000	2,000	100
Tower rental	1,200	1,200	1,200
Maintenance	65,000	65,000	32,216
Dispatch materials	600	600	-
Police System Dispatch	-	-	24,965
Miscellaneous	200	200	-
Capital outlay			
Keslinger tower radios	100	100	-
Purchase of equipment and computers for participants	24,000	24,000	22,101
Total expenditures	298,700	300,600	235,305
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	55,300	55,400	140,186
OTHER FINANCING SOURCES (USES)			
Transfers (out)	-	(300,000)	(300,000)
NET CHANGE IN FUND BALANCE	\$ 55,300	\$ (244,600)	(159,814)
FUND BALANCE, JANUARY 1, 2010			473,705
FUND BALANCE, DECEMBER 31, 2010			\$ 313,891

(See independent auditor's report.)

DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
SYCAMORE, ILLINOIS

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

For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual
REVENUES			
Charges for services			
Wireless fees	\$ 480,000	\$ 480,000	\$ 491,008
Investment income	9,000	9,000	5,393
Miscellaneous	1,000	1,000	-
Total revenues	490,000	490,000	496,401
EXPENDITURES			
Commodities and services			
Personal Services	31,000	34,800	34,699
Telephone	150,000	150,000	137,882
Mapping	18,000	18,000	15,000
Maintenance	7,000	7,000	999
Wireless tower rental	5,000	5,000	4,382
Fire dispatch service	163,000	163,000	163,000
Police dispatch service	115,000	115,000	90,000
Miscellaneous	1,000	1,000	-
Total expenditures	490,000	493,800	445,962
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(3,800)	50,439
OTHER FINANCING SOURCES (USES)			
Transfers (out)	-	(300,000)	(300,000)
NET CHANGE IN FUND BALANCE	\$ -	\$ (303,800)	(249,561)
FUND BALANCE, JANUARY 1, 2010			789,935
FUND BALANCE, DECEMBER 31, 2010			\$ 540,374

(See independent auditor's report.)

DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
SYCAMORE, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2010

BUDGETS

Formal budgetary integration is employed as a management control device. Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the general fund, wireless fund and capital fund. These annual budgets lapse at fiscal year end.

During the year, amendments to the budget were approved.

SUPPLEMENTAL DATA

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, 2010

	Original Budget	Final Budget	Actual
REVENUES			
Investment income	\$ 4,000	\$ 4,000	\$ 3,905
Miscellaneous	1,000	1,000	-
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>3,905</u>
EXPENDITURES			
Capital outlay			
Keslinger tower radios	40,000	46,000	45,329
Purchase of equipment and computers for participants	99,000	143,000	137,906
Total expenditures	<u>139,000</u>	<u>189,000</u>	<u>183,235</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(134,000)	(184,000)	(179,330)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	600,000	600,000
NET CHANGE IN FUND BALANCE	<u>\$ (134,000)</u>	<u>\$ 416,000</u>	420,670
FUND BALANCE, JANUARY 1, 2010			<u>781,063</u>
FUND BALANCE, DECEMBER 31, 2010			<u><u>\$ 1,201,733</u></u>

(See independent auditor's report.)