

DEKALB COUNTY EMERGENCY
TELEPHONE SYSTEM BOARD
SYCAMORE, ILLINOIS

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
December 31, 2011



Certified Public Accountants & Advisors

DEKALB COUNTY EMERGENCY
 TELEPHONE SYSTEM BOARD
 SYCAMORE, ILLINOIS
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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, 2011, 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 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 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the DeKalb County Emergency Telephone System Board, Sycamore, Illinois, as of December 31, 2011, and the respective changes in financial position, and, where applicable cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

The DeKalb County Emergency Telephone System Board adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended December 31, 2011. The statement changed the classifications of governmental fund balances and clarified the definitions of existing fund types. The adoption of this statement had no effect on the any of the ETSB's governmental funds' assets or liabilities nor was there any effect to the total amount of any of the ETSB's governmental fund balances as of and for the year ended December 31, 2011.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ETSB's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

A handwritten signature in black ink that reads "Schuch LLP". The signature is written in a cursive, slightly slanted style.

Naperville, Illinois
February 24, 2012

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, 2011.

Financial Highlights

The assets of the 911 ETSB of DeKalb County exceeded its liabilities at the close of the fiscal year by \$2,202,454 (net assets). Of this amount, \$1,552,313 in unrestricted net assets may be used to meet the Board's ongoing obligations.

The Board's total net assets decreased over the 2011 year by \$18,760. This was due to expenditures that exceeded revenues.

The Board did not make a contribution to the Capital Fund.

As of the close of fiscal year 2011, the Board's governmental funds reported an ending fund balance of \$2,050,721 a decrease of \$5,277 in comparison to the prior year. This is due to lower than anticipated revenue in the wireless fund.

At the end of the 2011 fiscal year, the unrestricted fund balance was \$1,552,313, of which \$1,101,728 was assigned for capital outlay and \$445,584 was unassigned in the General Fund. This figure is higher than the prior year as revenues exceeded expenditures in the General Fund. The current unassigned fund balance of \$445,584 is 176% of the total general fund expenditures of \$253,891.

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.

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 Systems for DeKalb County. There are no business-type activities conducted by the 911 ETSB.

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 911 ETSB of DeKalb County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for all of a government's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds), and the acquisition or construction of capital assets (capital project funds). The funds of the 911 ETSB can be classified as governmental funds only. The General Fund is used to account for all of the 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 \$2,202,454 at the close of fiscal year 2011.

By far the largest portion of the 911 ETSB net assets, 87 percent, reflects its cash and investments, with the balance being 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 2011	Governmental Activities 2010
Current and other Assets	\$2,113,211	\$2,109,094
Capital Assets	\$151,733	\$165,216
Total Assets	\$2,264,944	\$2,274,310
Long-term Liabilities outstanding	-	-
Other Liabilities	\$62,490	\$53,096
Total Liabilities	\$62,490	\$53,096
Net Assets:		
Invested in capital assets Net of related debt	\$151,733	\$165,216
Restricted For Wireless	\$498,408	\$540,374
Unrestricted	\$1,552,313	\$1,515,624
Total Net Assets	\$2,202,454	\$2,221,214

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 decreased by \$18,760 during the current fiscal year.

Governmental activities. Governmental activities decreased the 911 ETSB net assets by \$18,760. Key elements of the overall decrease are as follows:

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

	Governmental Activities 2011	Governmental Activities 2010
Program Revenues:		
911 Surcharge	\$351,880	\$371,609
Wireless Fees	\$511,094	\$491,008
General Revenues:		
Investment Income	\$5,551	\$10,458
Miscellaneous Income	\$8,155	\$2,722
Total General Revenues	\$876,680	\$875,797
Expenses:		
Public Safety	\$895,440	\$858,149
Total Expenses	\$895,440	\$858,149
Increase/Decrease in net assets	(\$18,760)	\$17,648
Net assets on December 31, 2010		\$2,221,214
Net assets on December 31, 2011	\$2,202,454	

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. In 2011 as expected we did not see a one-time distribution of excess wireless funds. 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 \$2,050,721, a decrease of \$5,277 in comparison with the previous fiscal year end.

From that total, wireless funds of \$512,384 are restricted for special use.

The general fund is the primary operating fund of the 911 ETSB. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$445,584. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unreserved fund balances represents 176% 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 the General Fund and Wireless Fund were amended due to expenditures that exceeded the budget. There were no transfers from the General and Wireless Funds to the Capital Fund as in past years.

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

Capital Assets

Capital assets. The 911 ETSB of DeKalb County's investment in capital assets for its governmental activities as of December 31, 2011 totals \$151,733 (net of accumulated depreciation). This investment in capital assets includes machinery and equipment. There was a net decrease in capital assets of \$13,483 in the current fiscal year, due to depreciation.

DeKalb County 911 ETSB Capital Assets
(Net of depreciation)

	Governmental Activities 2011	Governmental Activities 2010
Machinery & Equipment	\$151,733	\$165,216
Total	\$151,733	\$165,216

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 the board anticipates income from this source in 2012.

Investment income, impacted by low interest rates, will continue to be a small contributor to overall income.

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

DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
SYCAMORE, ILLINOIS

STATEMENT OF NET ASSETS

December 31, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 1,908,282
Receivables	
Accounts	199,928
Prepaid expenses	5,001
Capital assets, net of accumulated depreciation	<u>151,733</u>
Total assets	<u>2,264,944</u>
LIABILITIES	
Accounts payable	<u>62,490</u>
Total liabilities	<u>62,490</u>
NET ASSETS	
Invested in capital assets	151,733
Restricted for wireless	498,408
Unrestricted	<u>1,552,313</u>
TOTAL NET ASSETS	<u><u>\$ 2,202,454</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, 2011

		Program Revenues				Net (Expense) Revenue and Change in Net Assets
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Primary Governmental
PRIMARY GOVERNMENT						
Governmental Activities						
Public safety	\$ 895,440	\$ 862,974	\$ -	\$ -		\$ (32,466)
Total governmental activities	895,440	862,974	-	-		(32,466)
TOTAL PRIMARY GOVERNMENT	\$ 895,440	\$ 862,974	\$ -	\$ -		(32,466)
General Revenues						
						5,551
						8,155
						13,706
						(18,760)
						2,221,214
						\$ 2,202,454

See accompanying notes to financial statements.

DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
SYCAMORE, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2011

	General	Special Revenue Wireless	Capital Projects Capital	Total Governmental Funds
ASSETS				
Cash and investments	\$ 420,983	\$ 343,662	\$ 1,143,637	\$ 1,908,282
Receivables				
Accounts	33,766	166,162	-	199,928
Prepaid expenses	-	-	5,001	5,001
TOTAL ASSETS	\$ 454,749	\$ 509,824	\$ 1,148,638	\$ 2,113,211
LIABILITIES				
Accounts payable	\$ 9,165	\$ 11,416	\$ 41,909	\$ 62,490
Total liabilities	9,165	11,416	41,909	62,490
FUND BALANCES				
Nonspendable - prepaid expenses	-	-	5,001	5,001
Restricted - wireless	-	498,408	-	498,408
Unrestricted				
Assigned - capital outlay	-	-	1,101,728	1,101,728
Unassigned	445,584	-	-	445,584
Total fund balances	445,584	498,408	1,106,729	2,050,721
TOTAL LIABILITIES AND FUND BALANCES	\$ 454,749	\$ 509,824	\$ 1,148,638	

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.

151,733

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 2,202,454

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, 2011

	General	Special Revenue Wireless	Capital Projects Capital	Total Governmental Funds
REVENUES				
Charges for services	\$ 351,880	\$ 511,094	\$ -	\$ 862,974
Investment income	584	1,290	3,677	5,551
Miscellaneous revenue	8,155	-	-	8,155
Total revenues	360,619	512,384	3,677	876,680
EXPENDITURES				
Current				
Public safety				
Personal services	16,042	30,550	-	46,592
Commodities and services	237,831	498,835	-	736,666
Capital outlay	18	-	98,681	98,699
Total expenditures	253,891	529,385	98,681	881,957
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	106,728	(17,001)	(95,004)	(5,277)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	24,965	(24,965)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	24,965	(24,965)	-	-
NET CHANGE IN FUND BALANCES	131,693	(41,966)	(95,004)	(5,277)
FUND BALANCES, JANUARY 1, 2011	313,891	540,374	1,201,733	
FUND BALANCES, DECEMBER 31, 2011	\$ 445,584	\$ 498,408	\$ 1,106,729	

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 (31,733)

Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities:

Capital outlay 18,250

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ (18,760)**

See accompanying notes to financial statements.

DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
SYCAMORE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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, 2011, 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
NIU Police 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 the government's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds) and the funds committed, restricted or assigned for the acquisition or construction of capital assets (capital projects funds). The general fund is used to account for all activities of the government not accounted for in some other fund.

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net 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 accounted for in another fund.

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

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

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

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.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Capital Assets (Continued)

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 nonspendable fund balance for amounts that are either nonspendable in form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for a specific purpose, or externally imposed by outside entities. Committed fund balance is constrained by formal actions of the ETSB, which is considered the ETSB's highest level of decision making authority. Formal actions include resolutions approved by the ETSB. Assigned fund balance represents amounts constrained by the ETSB's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the ETSB's Treasurer. Any residual fund balance of the General Fund is reported as unassigned.

The ETSB's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the ETSB considers committed funds to be expended first, followed by assigned and then unassigned funds.

In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. Invested in capital assets, net of related debt, represents the ETSB's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset.

None of the restricted fund balance or restricted net assets result from enabling legislation adopted by the ETSB.

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.

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, 2011.

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

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance January 1, 2011	Increases	Decreases	Balance December 31, 2011
GOVERNMENTAL ACTIVITIES				
Capital assets being depreciated				
Machinery and equipment	\$ 586,527	\$ 18,250	\$ -	\$ 604,777
Total capital assets being depreciated	<u>586,527</u>	<u>18,250</u>	<u>-</u>	<u>604,777</u>
Less accumulated depreciation for				
Machinery and equipment	421,311	31,733	-	453,044
Total accumulated depreciation	<u>421,311</u>	<u>31,733</u>	<u>-</u>	<u>453,044</u>
Total capital assets being depreciated, net	<u>165,216</u>	<u>(13,483)</u>	<u>-</u>	<u>151,733</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 165,216</u>	<u>\$ (13,483)</u>	<u>\$ -</u>	<u>\$ 151,733</u>

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

GOVERNMENTAL ACTIVITIES	
Public safety	<u>\$ 31,733</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u><u>\$ 31,733</u></u>

4. INTERFUND ASSETS/LIABILITIES

Transfers to/from other funds at December 31, 2011 consist of the following:

	Transfer In	Transfer Out
General		
Wireless	\$ 24,965	\$ -
Wireless		
General	-	<u>24,965</u>
TOTAL	<u>\$ 24,965</u>	<u>\$ 24,965</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:

- \$24,965 transferred to the General Fund from the Wireless Fund to repay prior year wireless costs recorded in the General Fund. This transfer will not be repaid.

5. RISK MANAGEMENT

The ETSB is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The ETSB has purchased commercial insurance for general liability, property insurance and other risks accounted for in the general fund from independent third parties. 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 one employee of ETSB is covered by the Illinois Municipal Retirement Fund (IMRF) through DeKalb County 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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>
REVENUES		
Charges for services		
911 surcharge	\$ 330,000	\$ 351,880
Investment income	1,000	584
Miscellaneous	1,000	8,155
	<u>332,000</u>	<u>360,619</u>
Total revenues		
EXPENDITURES		
Personal services	16,700	16,042
Commodities and services		
Telephone	127,000	109,759
Travel	7,000	6,298
Training	50,000	50,823
Insurance	6,000	4,695
Office supplies	1,100	709
Office expense	3,000	3,000
Dues and memberships	300	222
Education	1,500	1,245
Professional services	14,100	13,900
Mapping	10,000	10,000
Lockbox service	3,300	100
Tower rental	1,200	1,200
Maintenance	65,000	35,880
Dispatch materials	100	-
Miscellaneous	600	-
Capital outlay		
Keslinger tower radios	100	18
	<u>307,000</u>	<u>253,891</u>
Total expenditures		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>25,000</u>	<u>106,728</u>
OTHER FINANCING SOURCES		
Transfers in	-	24,965
	<u>-</u>	<u>24,965</u>
Total other financing sources		
NET CHANGE IN FUND BALANCE	<u>\$ 25,000</u>	131,693
FUND BALANCE, JANUARY 1, 2011		<u>313,891</u>
FUND BALANCE, DECEMBER 31, 2011		<u>\$ 445,584</u>

(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, 2011

	Original and Final Budget	Actual
REVENUES		
Charges for services		
Wireless fees	\$ 470,000	\$ 511,094
Investment income	4,000	1,290
Miscellaneous	1,000	-
Total revenues	475,000	512,384
EXPENDITURES		
Personal Services	32,000	30,550
Commodities and services		
Telephone	150,000	137,146
Mapping	18,000	15,000
Maintenance	1,000	999
Wireless tower rental	5,000	4,514
Fire dispatch service	163,000	163,000
Police dispatch service	180,000	178,176
Miscellaneous	43,000	-
Total expenditures	592,000	529,385
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(117,000)	(17,001)
OTHER FINANCING SOURCES (USES)		
Transfers (out)	-	(24,965)
Total other financing sources (uses)	-	(24,965)
NET CHANGE IN FUND BALANCE	\$ (117,000)	(41,966)
FUND BALANCE, JANUARY 1, 2011		540,374
FUND BALANCE, DECEMBER 31, 2011		\$ 498,408

(See independent auditor's report.)

DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
SYCAMORE, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2011

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, there were no amendments to the budget.

SUPPLEMENTARY INFORMATION

DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
SYCAMORE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original and Final Budget	Actual
REVENUES		
Investment income	\$ 4,000	\$ 3,677
Miscellaneous	1,000	-
Total revenues	<u>5,000</u>	<u>3,677</u>
EXPENDITURES		
Capital outlay		
Keslinger tower radios	102,000	75,346
Purchase of equipment and computers for participants	<u>83,000</u>	<u>23,335</u>
Total expenditures	<u>185,000</u>	<u>98,681</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (180,000)</u></u>	(95,004)
FUND BALANCE, JANUARY 1, 2011		<u>1,201,733</u>
FUND BALANCE, DECEMBER 31, 2011		<u><u>\$ 1,106,729</u></u>

(See independent auditor's report.)