

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

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended  
December 31, 2013

**DEKALB COUNTY EMERGENCY TELEPHONE SYSTEM BOARD**  
**SYCAMORE, ILLINOIS**  
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Certified Public Accountants & Advisors  
*Members of American Institute of Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman  
Members of the Board  
DeKalb County Emergency  
Telephone System Board  
Sycamore, Illinois

We have audited the accompanying financial statements of the governmental activities and each major fund of the DeKalb County Emergency Telephone System Board (the ETSB), Sycamore, Illinois, as of and for the year ended December 31, 2013, and the related notes to the financial statements which collectively comprise the ETSB's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the ETSB's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ETSB's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the ETSB as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and certain budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ETSB's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the 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 cursive script, appearing to read "A. M. 22P".

Naperville, Illinois  
March 14, 2014

**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, 2013.

### **Financial Highlights**

The assets of the 911 ETSB of DeKalb County exceeded its liabilities at the close of the fiscal year by \$2,172,142 (net position). Of this amount, \$1,517,909 in unrestricted net position may be used to meet the Board's ongoing obligations.

The Board's total net position decreased over the previous year by \$66,669. This was due to decreased revenues in both the 911 hard line surcharge, and the wireless surcharge.

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

As of the close of fiscal year 2013, the Board's governmental funds reported an ending fund balance of \$2,067,369, a decrease of \$48,712 in comparison to the prior year. This is due, again, to decreased revenues in both the 911 hard line surcharge, and the wireless fees.

At the end of the 2013 fiscal year, the unrestricted fund balance was \$1,517,909, of which \$903,604 was assigned for capital outlay and \$614,305 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 \$614,305 is 252% of the total general fund expenditures of \$243,551.

The DeKalb County 911 ETSB has no outstanding debt.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the 911 ETSB of DeKalb County's basic financial statements. Those statements have six components: 1) a statement of net position; 2) a statement of activities; 3) a balance sheet; 4) statement of revenues, expenditures and changes in fund balance; 5) notes to the financial statements; 6) required supplementary information. This report also contains other supplementary information.

**Government-wide financial statements.** These are designed to provide readers with a broad overview of the 911 ETSB of DeKalb County's finances, in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how the Board's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The financial statements highlight functions of the 911 ETSB of DeKalb County that are principally supported by the 911 surcharge, 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 or most of a government's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds), and the acquisition or construction of capital assets (capital project funds). The funds of the 911 ETSB can be classified as governmental funds only. The General Fund is used to account for all of the 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 13-14 and 16. Additional notes to the required supplementary information can be found on page 15.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a Board's financial position. In the case of the 911 ETSB, assets exceeded liabilities by \$2,172,142 at the close of fiscal year 2013.

By far the largest portion of the 911 ETSB net position, 95 percent, reflects its cash and investments, with the balance being accounts receivable and capital assets. The 911 ETSB of DeKalb County uses these cash assets to provide on-going services to citizens. The 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 POSITION**

	Governmental Activities 2013	Governmental Activities 2012
Current and other Assets	\$2,106,210	\$2,146,280
Capital Assets	<u>\$104,773</u>	<u>\$122,730</u>
<b>Total Assets</b>	<u>\$2,210,983</u>	<u>\$2,269,010</u>
Long-term Liabilities outstanding	-	-
Other Liabilities	<u>\$38,841</u>	<u>\$30,199</u>
<b>Total Liabilities</b>	<u>\$38,841</u>	<u>\$30,199</u>
Net Position:		
Net Investment in Capital Assets	\$104,773	\$122,730
Restricted For Wireless	\$549,460	\$544,245
Unrestricted	<u>\$1,517,909</u>	<u>\$1,571,836</u>
<b>Total Net Position</b>	<u>\$2,172,142</u>	<u>\$2,238,811</u>

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

The Board's total net position decreased by \$66,669 during the current fiscal year.

**Governmental activities.** Governmental activities decreased the 911 ETSB net position by \$66,669. Key elements of the overall decrease are as follows:

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

	Governmental Activities 2013	Governmental Activities 2012
Program Revenues:		
911 Surcharge	\$291,617	\$339,074
Wireless Fees	\$538,232	\$576,996
General Revenues:		
Investment Income	\$1,426	\$2,365
Miscellaneous Income	\$6,950	\$10
Total General Revenues	\$838,225	\$918,455
Expenses:		
Public Safety	\$886,937	\$882,088
Total Expenses	\$886,937	\$882,088
Increase/Decrease in net position	(66,669)	\$36,357
Net position on December 31, 2012		\$2,238,811
Net position on December 31, 2013	\$2,172,142	

911 surcharge funds decreased during the year due to the number of households who have only cellular service, and those who are using services for which they do not pay 911 surcharges. Since 2008 the state has made an annual one-time distribution of excess wireless funds. In 2013 the state again made 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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the 911 ETSB governmental funds reported combined ending fund balances of \$2,067,369, a decrease of \$48,712 in comparison with the previous fiscal year end.

From that total, wireless funds of \$549,460 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 \$614,305. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balances represent 252% 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, or in a single institution collateral pool.

## Budgetary Highlights

The original budgets of the General Fund and Wireless Fund were amended due to revenues 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 on-going expense.

Implementation of the NG 911 began this year, with an RFP for a consultant to begin preparing an implementation proposal.

## Capital Assets

**Capital assets.** The 911 ETSB of DeKalb County's investment in capital assets for its governmental activities as of December 31, 2013 totals \$104,773 (net of accumulated depreciation). This investment in capital assets includes machinery and equipment. There was a net decrease in capital assets of \$17,957 in the current fiscal year, due to depreciation in excess of current year capital asset additions.

### DeKalb County 911 ETSB Capital Assets (Net of depreciation)

	Governmental Activities 2013	Governmental Activities 2012
Machinery & Equipment	\$104,773	\$122,730
Total	\$104,773	\$122,730

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 a hard line phone in their homes, have their hard lines removed and increase their use of devices for which they do not pay surcharges. The state needs to address the issue of devices that have the ability to reach 911 but are not paying surcharges, and to recover the loss of the landline surcharge.

There is pending legislation that, if passed, could increase the amount of wireless fees the board receives. However, this legislation will eliminate the one-time payments from the state. It would also extend the Wireless Act sunset date. Statewide 9-1-1 Boards recognize that the proposed legislation will not replace all the surcharge reductions, but view it as the first move to fill the gap.

Investment income, impacted by low interest rates, will continue to be an immaterial contributor to overall income.

Voice over Internet Protocol (VoIP) still has an impact on the Board's financial picture that is yet to be determined.

For FY 2014, \$700,000 will be budgeted for Next Generation 911 implementation. There will be a FY14 expense for an RFP for a consultant to implement NG, and an RFP for equipment and services. We anticipate the FY 2015 expenditures will be significant as the implementation of Next Generation 9-1-1 System process continues.

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

**STATEMENT OF NET POSITION**

December 31, 2013

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	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Cash and investments	\$ 1,912,502
Receivables	
Accounts	193,708
Capital assets, net of accumulated depreciation	<u>104,773</u>
Total assets	<u>2,210,983</u>
<b>LIABILITIES</b>	
Accounts payable	<u>38,841</u>
Total liabilities	<u>38,841</u>
<b>NET POSITION</b>	
Net investment in capital assets	104,773
Restricted for wireless	549,460
Unrestricted	<u>1,517,909</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 2,172,142</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, 2013

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants	Capital Grants	Primary Governmental Activities
					Governmental Activities
Governmental Activities					
Public safety	\$ 904,894	\$ 829,849	\$ -	\$ -	\$ (75,045)
Total governmental activities	904,894	829,849	-	-	(75,045)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 904,894</b>	<b>\$ 829,849</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(75,045)</b>
		General Revenues			
		Investment income			1,426
		Miscellaneous			6,950
		Total			8,376
		CHANGE IN NET POSITION			(66,669)
		NET POSITION, JANUARY 1, 2013			2,238,811
		<b>NET POSITION, DECEMBER 31, 2013</b>			<b>\$ 2,172,142</b>

See accompanying notes to financial statements.

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

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2013

	<u>General</u>	<u>Special Revenue Wireless</u>	<u>Capital Projects Capital</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 603,093	\$ 391,063	\$ 918,346	\$ 1,912,502
Receivables				
Accounts	23,981	169,727	-	193,708
<b>TOTAL ASSETS</b>	<u>\$ 627,074</u>	<u>\$ 560,790</u>	<u>\$ 918,346</u>	<u>\$ 2,106,210</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 12,769	\$ 11,330	\$ 14,742	\$ 38,841
Total liabilities	<u>12,769</u>	<u>11,330</u>	<u>14,742</u>	<u>38,841</u>
<b>FUND BALANCES</b>				
Restricted - wireless	-	549,460	-	549,460
Unrestricted				
Assigned - capital outlay	-	-	903,604	903,604
Unassigned	614,305	-	-	614,305
Total fund balances	<u>614,305</u>	<u>549,460</u>	<u>903,604</u>	<u>2,067,369</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 627,074</u>	<u>\$ 560,790</u>	<u>\$ 918,346</u>	

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

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

104,773

**NET POSITION OF GOVERNMENTAL ACTIVITIES**

\$ 2,172,142

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, 2013

	<u>General</u>	<u>Special Revenue Wireless</u>	<u>Capital Projects Capital</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Charges for services	\$ 291,617	\$ -	\$ -	\$ 291,617
Intergovernmental	-	538,232	-	538,232
Investment income	792	97	537	1,426
Miscellaneous revenue	6,871	79	-	6,950
Total revenues	<u>299,280</u>	<u>538,408</u>	<u>537</u>	<u>838,225</u>
<b>EXPENDITURES</b>				
Current				
Public safety				
Personal services	17,310	33,066	-	50,376
Commodities and services	226,071	500,127	-	726,198
Capital outlay	170	-	110,193	110,363
Total expenditures	<u>243,551</u>	<u>533,193</u>	<u>110,193</u>	<u>886,937</u>
NET CHANGE IN FUND BALANCES	55,729	5,215	(109,656)	(48,712)
FUND BALANCES, JANUARY 1, 2013	<u>558,576</u>	<u>544,245</u>	<u>1,013,260</u>	
<b>FUND BALANCES, DECEMBER 31, 2013</b>	<u>\$ 614,305</u>	<u>\$ 549,460</u>	<u>\$ 903,604</u>	

Reconciliation of the governmental funds statement of revenues, expenditures and changes in fund balances to the governmental activities in the statement of activities

Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities 11,046

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 (29,003)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ (66,669)

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the DeKalb County Emergency Telephone System Board (the 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, 2013, the following governments were participating agencies of the ETSB:

Cortland Fire Department	DeKalb Police Department
DeKalb Fire 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 Police Department	Sandwich Fire Department
Shabbona Fire Department	Somonauk Fire Department
Sycamore Police Department	Sycamore Fire Department
Waterman Fire Department	

b. Fund Accounting

The accounts of the ETSB are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

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

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

b. Fund Accounting (Continued)

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

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the ETSB.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the financial statements.

The ETSB reports the following major governmental funds:

The General Fund is the ETSB's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The 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)

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**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)

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**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 Position

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

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

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

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

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

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**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 custodial credit risk for deposits with financial institutions, the ETSB's investment policy requires that deposits with financial institutions in excess of FDIC be collateralized with collateral in an amount of 105% if U.S Treasury or agency securities are pledged, or 110% if other collateral is pledged, of the uninsured deposits with the collateral held by a third party acting as the agent of the ETSB. All of the ETSB's deposits were covered by either FDIC or collateral at December 31, 2013.

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 delivery versus payment (DVP) basis with the underlying investment held by a third party acting as the ETSB's agent separate from where the investment was purchased. The ETSB also limits its exposure to custodial credit risk by primarily investing in insured or collateralized certificates of deposit.

**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, 2013 was as follows:

	Balance January 1, 2013	Increases	Decreases	Balance December 31, 2013
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets being depreciated				
Machinery and equipment	\$ 604,777	\$ 11,046	\$ -	\$ 615,823
Total capital assets being depreciated	<u>604,777</u>	<u>11,046</u>	<u>-</u>	<u>615,823</u>
Less accumulated depreciation for				
Machinery and equipment	482,047	29,003	-	511,050
Total accumulated depreciation	<u>482,047</u>	<u>29,003</u>	<u>-</u>	<u>511,050</u>
Total capital assets being depreciated, net	<u>122,730</u>	<u>(17,957)</u>	<u>-</u>	<u>511,050</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
CAPITAL ASSETS, NET	<u>\$ 122,730</u>	<u>\$ (17,957)</u>	<u>\$ -</u>	<u>\$ 104,773</u>

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

<b>GOVERNMENTAL ACTIVITIES</b>	
Public safety	<u>\$ 29,003</u>
<b>TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 29,003</u></u>

**4. 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.

**5. PENSION PLAN**

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, 2013

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Charges for services			
911 surcharge	\$ 313,000	\$ 324,500	\$ 291,617
Investment income	360	835	792
Miscellaneous	6,250	6,300	6,871
	<hr/>		
Total revenues	319,610	331,635	299,280
	<hr/>		
<b>EXPENDITURES</b>			
Personal services	19,250	19,250	17,310
Commodities and services			
Telephone	113,000	113,000	103,185
Travel	7,500	7,500	6,084
Training	50,000	50,000	41,408
Insurance	6,000	6,000	4,859
Office supplies	1,100	1,100	622
Office expense	3,000	3,000	3,000
Dues and memberships	300	300	222
Education	1,500	1,500	1,499
Professional services	14,500	14,500	14,300
Mapping	10,000	10,000	10,000
Lockbox service	3,100	3,100	-
Tower rental	1,200	1,200	1,200
Maintenance	85,500	85,500	39,692
Miscellaneous	300	300	-
Capital outlay			
Keslinger tower radios	200	200	170
	<hr/>		
Total expenditures	316,450	316,450	243,551
	<hr/>		
NET CHANGE IN FUND BALANCE	<u>\$ 3,160</u>	<u>\$ 15,185</u>	55,729
	<hr/>		
FUND BALANCE, JANUARY 1, 2013			<u>558,576</u>
	<hr/>		
<b>FUND BALANCE, DECEMBER 31, 2013</b>			<u><b>\$ 614,305</b></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, 2013

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Intergovernmental			
Wireless surcharge	\$ 318,025	\$ 369,000	\$ 538,232
Investment income	1,200	1,200	97
Miscellaneous	-	-	79
	<hr/>		
Total revenues	319,225	370,200	538,408
	<hr/>		
<b>EXPENDITURES</b>			
Personal Services	33,600	33,600	33,066
Commodities and services			
Telephone	140,000	140,000	136,340
Mapping	21,000	21,000	15,000
Maintenance	1,000	1,000	999
Wireless tower rental	5,000	5,000	4,788
Fire dispatch service	163,000	163,000	163,000
Police dispatch service	180,000	180,000	180,000
Miscellaneous	500	500	-
	<hr/>		
Total expenditures	544,100	544,100	533,193
	<hr/>		
NET CHANGE IN FUND BALANCE	<u>\$ (224,875)</u>	<u>\$ (173,900)</u>	5,215
FUND BALANCE, JANUARY 1, 2013			<hr/> 544,245
<b>FUND BALANCE, DECEMBER 31, 2013</b>			<hr/> <b>\$ 549,460</b> <hr/>

(See independent auditor's report.)

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2013

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**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 was one budget amendment.

**SUPPLEMENTARY INFORMATION**

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

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

For the Year Ended December 31, 2013

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Investment income	\$ 1,000	\$ 1,000	\$ 537
Total revenues	1,000	1,000	537
<b>EXPENDITURES</b>			
Capital outlay			
Keslinger tower radios	106,000	106,000	23,008
Purchase of equipment and computers for participants	660,000	660,000	80,085
Capital miscellaneous	-	-	7,100
Total expenditures	766,000	766,000	110,193
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (765,000)</b>	<b>\$ (765,000)</b>	<b>(109,656)</b>
<b>FUND BALANCE, JANUARY 1, 2013</b>			<b>1,013,260</b>
<b>FUND BALANCE, DECEMBER 31, 2013</b>			<b>\$ 903,604</b>