

KANE COUNTY EMERGENCY TELEPHONE
SYSTEM BOARD
GENEVA, ILLINOIS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
NOVEMBER 30, 2018

KANE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

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INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

April 8, 2019

Members of the Board of Directors
Kane County Emergency Telephone System Board
Geneva, Illinois

We have audited the accompanying financial statements of the Kane County Emergency Telephone System Board, Geneva, Illinois, as of and for the year ended November 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 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 Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Kane County Emergency Telephone System Board, Geneva, Illinois, as of November 30, 2018, 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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kane County Emergency Telephone System Board, Geneva, Illinois' basic financial statements. The combining and individual fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Board has not presented a Management's Discussion and Analysis as required supplementary information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Lauterbach & Amen, LLP

LAUTERBACH & AMEN, LLP

BASIC FINANCIAL STATEMENTS

**KANE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
GENEVA, ILLINOIS**

**Statement of Net Position
November 30, 2018**

ASSETS	
Current Assets	
Cash and Investments	\$ 1,829,323
Noncurrent Assets	
Capital Assets	
Depreciable	1,051,544
Accumulated Depreciation	(525,772)
Total Noncurrent Assets	<u>525,772</u>
Total Assets	<u>2,355,095</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	4,609
Wireless Accounts Payable	581,793
Accrued Interest	9,757
Due to Other Governments	351,539
Loans Payable	153,056
Total Current Liabilities	<u>1,100,754</u>
Long-Term Liabilities	
Loans Payable	<u>312,938</u>
Total Liabilities	<u>1,413,692</u>
NET POSITION	
Net Investment in Capital Assets	59,778
Unrestricted	<u>881,625</u>
Total Net Position	<u><u>941,403</u></u>

The notes to the financial statements are an integral part of this statement.

**KANE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
GENEVA, ILLINOIS**

**Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended November 30, 2018**

Operating Revenues	
Surcharges	\$ 525,836
State of Illinois Wireless Surcharge	3,345,035
Total Operating Revenues	<u>3,870,871</u>
Operating Expenses	
Direct Expenses	3,389,507
Administrative Expenses	52,713
Depreciation Expense	105,154
Total Operating Expenses	<u>3,547,374</u>
Operating Income	323,497
Nonoperating (Expenses)	<u>(1,280,995)</u>
Change in Net Position	(957,498)
Net Position - Beginning	<u>1,898,901</u>
Net Position - Ending	<u><u>941,403</u></u>

The notes to the financial statements are an integral part of this statement.

**KANE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
GENEVA, ILLINOIS**

**Statement of Cash Flows
For the Fiscal Year Ended November 30, 2018**

Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 4,128,468
Payment to Suppliers	(3,050,968)
	<u>1,077,500</u>
Cash Flows from Capital and Related Financing Activities	
Capital Contributions to Member Agencies	(1,295,386)
Principal Payment on Loan	(152,554)
Interest Payment on Loan	(21,542)
	<u>(1,469,482)</u>
Cash Flows from Investing Activities	
Interest Received	<u>25,638</u>
Net Change in Cash and Cash Equivalents	(366,344)
Cash and Cash Equivalents - Beginning	<u>2,195,667</u>
Cash and Cash Equivalents - Ending	<u><u>1,829,323</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used)	
by Operating Activities	
Operating Income	323,497
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	105,154
Other Income	10,295
(Increase) Decrease in Current Assets	247,302
Increase (Decrease) in Current Liabilities	<u>391,252</u>
Net Cash Provided by Operating Activities	<u><u>1,077,500</u></u>

The notes to the financial statements are an integral part of this statement.

**KANE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
GENEVA, ILLINOIS**

**Notes to the Financial Statements
November 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Kane County Emergency Telephone System Board (the Board), Geneva, Illinois have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. 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 Board's accounting policies are described below.

REPORTING ENTITY

The Board is appointed by Kane County to provide for the management and operation of an E-911 System. As required by GAAP, these financial statements present the Board and its component units, entities for which the Board is considered to be financially accountable. The Board has no component units.

BASIS OF PRESENTATION – BASIC FINANCIAL STATEMENTS

In the Statement of Net Position, the Board's activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The Board's net position is reported in two parts: net investment in capital assets and unrestricted.

The Board utilizes proprietary fund type accounting. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to members and are accounted for as enterprise funds. Funding is provided by surcharge revenues.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement Focus

All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets/deferred outflows and liabilities/deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

The Board's basic financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**KANE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
GENEVA, ILLINOIS**

**Notes to the Financial Statements
November 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

Basis of Accounting – Continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Board are surcharge revenues. Operating expenses for the Board include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

ASSETS, LIABILITIES AND NET POSITION

Cash and Investments

For the purpose of the Statement of Net Position, the cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of purchase. Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, the Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At year-end, the Board has no investments.

Capital Assets

Capital assets purchases or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Donated capital assets are valued at their acquisition value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lived of the related capital assets, as applicable. Depreciation of capital assets are computed using the straight-line method.

The following estimated useful lives are used to compute depreciation:

Equipment	10 Years
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**KANE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
GENEVA, ILLINOIS**

**Notes to the Financial Statements
November 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES AND NET POSITION – Continued

Long-Term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses at the time of issuance.

Net Position

In the basic financial statements, equity is classified as net position and displayed in two components:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with generally accepted accounting principles. The Bylaws for the Board require that an annual budget be adopted and approved by the Board.

NOTE 3– DETAIL NOTES ON THE BASIC FINANCIAL STATEMENTS

Permitted Deposits and Investments – Statutes authorize the Board to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, and commercial paper rated within the three highest classifications by at least two standard rating services.

**KANE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
GENEVA, ILLINOIS**

**Notes to the Financial Statements
November 30, 2018**

NOTE 3– DETAIL NOTES ON THE BASIC FINANCIAL STATEMENTS – Continued

DEPOSITS AND INVESTMENTS – Continued

Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of the Board’s deposits totaled \$1,829,323 and the bank balances totaled \$1,829,323. This balance represents the Board’s proportionate share of the County’s cash portfolio, as these transactions are managed by Kane County. The Board has no investments at year-end.

CAPITAL ASSETS

The following is a summary of capital assets as of the date of this report:

	Beginning Balances	Increases	Decreases	Ending Balances
Depreciable Capital Assets				
Equipment	\$ 1,051,544	-	-	1,051,544
Less Accumulated Depreciation				
Equipment	420,618	105,154	-	525,772
Net Capital Assets	630,926	(105,154)	-	525,772

LONG-TERM DEBT

Loans Payable

The Board has entered into a loan agreement to provide low interest financing for equipment purchases. The loan currently outstanding is as follows:

Issue	Beginning Balances	Issuances	Retirements	Ending Balances
Loan Payable of 2012 (Telephone System Infrastructure) - Due in monthly installments of \$124,897 to \$156,934 plus interest at 1.150% to 4.800% through December 15, 2020.	\$ 618,548	-	152,554	465,994

**KANE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
GENEVA, ILLINOIS**

**Notes to the Financial Statements
November 30, 2018**

NOTE 3– DETAIL NOTES ON THE BASIC FINANCIAL STATEMENTS – Continued

LONG-TERM DEBT – Continued

Long-Term Liability Activity

Changes in long-term liabilities during the fiscal year were as follows:

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Loans Payable	\$ 618,548	-	152,554	465,994	153,056

Debt Service Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, are as follows:

Fiscal Year	Loan Payable	
	Principal	Interest
2019	\$ 153,056	17,960
2020	156,004	11,082
2021	156,934	3,766
Totals	465,994	32,808

**KANE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
GENEVA, ILLINOIS**

**Notes to the Financial Statements
November 30, 2018**

NOTE 3– DETAIL NOTES ON THE BASIC FINANCIAL STATEMENTS – Continued

NET POSITION CLASSIFICATION

Net investment in capital assets was comprised of the following as of November 30, 2018:

Business-Type Activities	
Capital Assets - Net of Accumulated Depreciation	\$ 525,772
Less Capital Related Debt:	
Loans Payable - Net	<u>(465,994)</u>
Net Investment in Capital Assets	<u><u>59,778</u></u>

Total net position is allocated at year-end between the members as follows:

Member	Share of Equity
Kane County	\$ 282,257
Tri-Com	<u>659,146</u>
Total	<u><u>941,403</u></u>

NOTE 4 – OTHER INFORMATION

RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are provided for through a commercial insurance policy purchased from independent third parties. There were no significant changes in insurance coverages from the prior year and settlements did not exceed insurance coverage in any of the past three fiscal years.

SUPPLEMENTAL SCHEDULES

**KANE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
GENEVA, ILLINOIS**

**Combining Schedule of Revenues, Expenses and Changes in Net Position - by Sub-Account
For the Fiscal Year Ended November 30, 2018**

	Wireline	Wireless	Total
Operating Revenues			
Surcharges	\$ 525,836	-	525,836
State of Illinois Wireless Surcharge	-	3,345,035	3,345,035
Total Operating Revenue	<u>525,836</u>	<u>3,345,035</u>	<u>3,870,871</u>
Operating Expenses			
Direct Expenses	44,472	3,345,035	3,389,507
Administrative Expenses	52,713	-	52,713
Depreciation Expense	105,154	-	105,154
Total Operating Expenses	<u>202,339</u>	<u>3,345,035</u>	<u>3,547,374</u>
Net Income	323,497	-	323,497
Nonoperating Revenues/(Expenses)	<u>(1,288,627)</u>	7,632	<u>(1,280,995)</u>
Change in Net Position	<u>(965,130)</u>	<u>7,632</u>	<u>(957,498)</u>
Net Position - Beginning			<u>1,898,901</u>
Net Position - Ending			<u>941,403</u>

**KANE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
GENEVA, ILLINOIS**

Wireline - Sub-Account

**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
For the Fiscal Year Ended November 30, 2018**

	Budget Original and Final	Actual
Operating Revenues		
Kane County Wireline Surcharge	\$ 580,000	449,534
DuPage County Wireline Surcharge	-	75,497
Kendall County Wireline Surcharge	-	141
Will County Surcharge Reimbursement	-	664
Total Operating Revenue	<u>580,000</u>	<u>525,836</u>
Operating Expenses		
Direct Expenses		
Telephone 911 Services and Software Maintenance	-	4,370
Telephone CPE Maintenance	45,500	-
Telephone POTS and CPE Maintenance	8,000	2,723
Telephone Headsets Repair and Maintenance	6,000	1,079
MSAG Maintenance	35,000	34,080
Training Expenses	4,500	660
Contingency Expenses	100,000	-
Language Line Services	3,000	1,560
Administrative Expenses		
Workshops and Conferences	10,000	746
Insurance	10,000	9,814
Surcharge Reimbursement - Kendall County	11,000	10,581
Office Expense and Postage	350	337
Accounting and Consulting	16,000	15,280
Legal Expenses	5,000	200
Consulting Expenses	60,000	7,000
Audit Expenses	6,000	5,350
Administrative Services	9,000	3,405
Depreciation Expense	-	105,154
Total Operating Expenses	<u>329,350</u>	<u>202,339</u>
Net Income	<u>250,650</u>	<u>323,497</u>
Nonoperating Revenues (Expenses)		
Interest Income	10,000	18,006
Other Income - Treasury Rebate	-	10,295
Interest Expense	(19,000)	(21,542)
Capital Contributions to Agency Members - Tri-Com	-	(178,000)
Capital Contributions to Agency Members - Kane County	-	(492,000)
Capital Contributions to Agency Members - Aurora	-	(625,386)
Total Nonoperating Revenues (Expenses)	<u>(9,000)</u>	<u>(1,288,627)</u>
Change in Net Position	<u>241,650</u>	<u>(965,130)</u>

**KANE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
GENEVA, ILLINOIS**

Wireless - Sub-Account

**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
For the Fiscal Year Ended November 30, 2018**

	<u>Budget</u>	
	<u>Original and</u>	
	<u>Final</u>	<u>Actual</u>
Operating Revenues		
State of Illinois Wireless Surcharge	\$ 2,320,000	3,345,035
Operating Expenses		
Tri-Comm Pass-Thru Wireless	1,691,048	2,276,681
Aurora Pass-Thru Wireless	-	202,694
Kane County Pass-Thru Wireless	628,952	865,660
Total Operating Expenses	<u>2,320,000</u>	<u>3,345,035</u>
Net Income	<u>-</u>	<u>-</u>
Nonoperating Revenue		
Interest Income	<u>1,000</u>	<u>7,632</u>
Change in Net Position	<u><u>1,000</u></u>	<u><u>7,632</u></u>