

KANE COUNTY EMERGENCY TELEPHONE  
SYSTEM BOARD  
GENEVA, ILLINOIS

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ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
NOVEMBER 30, 2020

# KANE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

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## **FINANCIAL SECTION**

## **INDEPENDENT AUDITORS' REPORT**

This section includes the opinion of the Board's independent auditing firm.



## **INDEPENDENT AUDITORS' REPORT**

April 7, 2021

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, 2020, 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 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 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, 2020, 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 supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare supplemental 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, 2020**

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<b>ASSETS</b>	
Current Assets	
Cash and Investments	\$ 2,388,868
Receivables - Net of Allowances	
Accounts	328,071
Prepays	11,228
Total Current Assets	<u>2,728,167</u>
Noncurrent Assets	
Capital Assets	
Depreciable	1,379,473
Accumulated Depreciation	<u>(801,666)</u>
Total Noncurrent Assets	<u>577,807</u>
Total Assets	<u>3,305,974</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	6,143
Wireless Accounts Payable	416,956
Accrued Interest	3,452
Due to Other Governments	695,000
Loans Payable	156,934
Total Current Liabilities	<u>1,278,485</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	420,873
Unrestricted	<u>1,606,616</u>
Total Net Position	<u><u>2,027,489</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, 2020**

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Operating Revenues	
Surcharges	\$ 1,250,519
State of Illinois Wireless Surcharge	<u>2,917,877</u>
Total Operating Revenues	<u>4,168,396</u>
Operating Expenses	
Direct Expenses	3,044,118
Administrative Expenses	64,188
Depreciation Expense	<u>170,740</u>
Total Operating Expenses	<u>3,279,046</u>
Operating Income	889,350
Nonoperating (Expenses)	<u>(664,990)</u>
Change in Net Position	224,360
Net Position - Beginning	<u>1,803,129</u>
Net Position - Ending	<u><u>2,027,489</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, 2020**

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Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 4,275,687
Payment to Suppliers	<u>(2,931,902)</u>
	<u>1,343,785</u>
 Cash Flows from Capital and Related Financing Activities	
Purchases of Capital Assets	—
Capital Contributions to Member Agencies	(695,000)
Principal Payment on Loan	(156,004)
Interest Payment on Loan	<u>(7,828)</u>
	<u>(858,832)</u>
 Cash Flows from Investing Activities	
Interest Received	<u>33,848</u>
 Net Change in Cash and Cash Equivalents	518,801
 Cash and Cash Equivalents - Beginning	<u>2,197,996</u>
 Cash and Cash Equivalents - Ending	<u><u>2,716,797</u></u>
 Reconciliation of Operating Income to Net Cash Provided (Used)	
by Operating Activities	
Operating Income	889,350
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	170,740
Other Income	3,990
(Increase) Decrease in Current Assets	103,301
Increase (Decrease) in Current Liabilities	<u>176,404</u>
 Net Cash Provided by Operating Activities	<u><u>1,343,785</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, 2020**

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**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 is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**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.

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

**Notes to the Financial Statements  
November 30, 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued**

**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.

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 purpose of the Statement of Net Position, the Board's cash and cash equivalents are considered to be cash on hand, demand deposits, and cash with fiscal agent.

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.

**Receivables**

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

**Prepays**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both the government-wide and fund financial statements. Prepays are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type prepaids are recorded as expenditures when consumed rather than when purchased.

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

**Notes to the Financial Statements  
November 30, 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**ASSETS, LIABILITIES, AND NET POSITION - Continued**

**Capital Assets**

Capital assets purchased 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 on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Equipment	10 Years
Equipment Upgrades	5 Years

**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 government-wide financial statements, equity is classified as net position and displayed in three components (if, applicable):

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 balances 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.

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

**Notes to the Financial Statements  
November 30, 2020**

**NOTE 3 - DETAILS NOTES ON THE BASIC FINANCIAL STATEMENTS**

**DEPOSITS AND INVESTMENTS**

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.

**Credit Risk, Custodial Credit Risk and Concentration Risk**

*Deposits.* At year-end, the carrying amount of the Board's deposits totaled \$2,388,868 and the bank balances totaled \$2,576,535. 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
Equipment Upgrades	—	327,929	—	327,929
	<u>1,051,544</u>	<u>327,929</u>	<u>—</u>	<u>1,379,473</u>
Less Accumulated Depreciation				
Equipment	630,926	105,155	—	736,081
Equipment Upgrades	—	65,585	—	65,585
	<u>630,926</u>	<u>170,740</u>	<u>—</u>	<u>801,666</u>
Net Capital Assets	<u>420,618</u>	<u>157,189</u>	<u>—</u>	<u>577,807</u>

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

**Notes to the Financial Statements  
November 30, 2020**

**NOTE 3 - DETAILS NOTES ON THE BASIC FINANCIAL STATEMENTS - Continued**

**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:

	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.	\$ 312,938	—	156,004	156,934

**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	\$ 312,938	—	156,004	156,934	156,934

**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
2021	\$ 156,934	3,766

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

**Notes to the Financial Statements  
November 30, 2020**

**NOTE 3 - DETAILS NOTES ON THE BASIC FINANCIAL STATEMENTS - Continued**

**NET POSITION CLASSIFICATION**

Net investment in capital assets was comprised of the following as of November 30, 2020:

Business-Type Activities	
Capital Assets - Net of Accumulated Depreciation	\$ 577,807
Less Capital Related Debt:	
Loan Payable	<u>(156,934)</u>
Net Investment in Capital Assets	<u><u>420,873</u></u>

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

<u>Member</u>	<u>Share of Equity</u>
Kane County	\$ 736,824
Tri-Com	<u>1,290,665</u>
Total	<u><u>2,027,489</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.

**CONTINGENT LIABILITIES**

**Financial Impact from COVID-19**

In March 2020, the World Health Organization declared the COVID-19 virus a public health emergency. As of the date of this report, the extent of the impact of COVID-19 on the Board's operations and financial position cannot be determined.



## **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, 2020**

	Wireline	Wireless	Totals
Operating Revenues			
Surcharges	\$ 1,250,519	—	1,250,519
State of Illinois Wireless Surcharge	—	2,917,877	2,917,877
Total Operating Revenue	<u>1,250,519</u>	<u>2,917,877</u>	<u>4,168,396</u>
Operating Expenses			
Direct Expenses	126,241	2,917,877	3,044,118
Administrative Expenses	64,188	—	64,188
Depreciation Expense	170,740	—	170,740
Total Operating Expenses	<u>361,169</u>	<u>2,917,877</u>	<u>3,279,046</u>
Operating Income	889,350	—	889,350
Nonoperating Revenues (Expenses)	<u>(670,894)</u>	5,904	<u>(664,990)</u>
Change in Net Position	<u>218,456</u>	<u>5,904</u>	224,360
Net Position - Beginning			<u>1,803,129</u>
Net Position - Ending			<u><u>2,027,489</u></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, 2020**

	Budget	
	Original and Final	Actual Amounts
Operating Revenues		
Kane County Wireline Surcharge	\$ 1,190,000	1,250,519
Operating Expenses		
Direct Expenses		
Telephone CPE Maintenance	90,800	68,508
Telephone POTS and CPE Maintenance	8,000	3,720
Telephone Headsets Repair and Maintenance	5,000	1,219
MSAG Maintenance	35,000	34,080
Voice Recorder Maintenance	97,500	—
Training Expenses	4,500	1,411
Contingency Expenses	100,000	—
Language Line Services	1,800	2,172
Surcharge Reimbursement - Kendall County	14,000	15,131
Administrative Expenses		
Workshops and Conferences	10,000	—
Insurance	11,400	11,155
Office Expense and Postage	350	470
Accounting and Consulting	20,000	14,333
Legal Expenses	4,000	160
Consulting Expenses	50,000	29,900
Audit Expenses	6,000	5,650
Administrative Services	10,000	2,520
Depreciation Expense	105,154	170,740
Total Operating Expenses	573,504	361,169
Operating Income	616,496	889,350
Nonoperating Revenues (Expenses)		
Interest Income	14,500	27,944
IPS Grant	461,563	—
Other Income - Treasury Rebate	—	3,990
Interest Expense	(7,100)	(7,828)
Capital Contributions to Agency Members - Tri-Com	(337,436)	(695,000)
Capital Contributions to Agency Members - Kane County	(308,032)	—
Total Nonoperating Revenues (Expenses)	(176,505)	(670,894)
Change in Net Position	439,991	218,456

**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, 2020**

	Budget	
	Original and Final	Actual Amounts
Operating Revenues		
State of Illinois Wireless Surcharge	\$ 2,776,000	2,917,877
Operating Expenses		
Tri-Comm Pass-Thru Wireless	2,055,906	2,178,701
Kane County Pass-Thru Wireless	720,094	739,176
Total Operating Expenses	2,776,000	2,917,877
Operating Income	—	—
Nonoperating Revenues		
Interest Income	6,500	5,904
Change in Net Position	6,500	5,904