

KANE COUNTY EMERGENCY TELEPHONE
SYSTEM BOARD
GENEVA, ILLINOIS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
NOVEMBER 30, 2021

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 11, 2022

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

Report on the Financial Statements

We have audited the accompanying financial statements of the of the Kane County Emergency Telephone System Board, Geneva, Illinois as of and for the year ended November 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Kane County Emergency Telephone System Board, Geneva, Illinois, as of November 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 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, supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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, 2021**

ASSETS	
Current Assets	
Cash and Investments	\$ 2,258,520
Receivables - Net of Allowances	
Accounts	325,390
Total Current Assets	<u>2,583,910</u>
Noncurrent Assets	
Capital Assets	
Depreciable	1,379,473
Accumulated Depreciation	<u>(972,406)</u>
Total Noncurrent Assets	<u>407,067</u>
Total Assets	<u>2,990,977</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	162,246
Wireless Accounts Payable	<u>677,753</u>
Total Current Liabilities	<u>839,999</u>
NET POSITION	
Investment in Capital Assets	407,067
Unrestricted	<u>1,743,911</u>
Total Net Position	<u>2,150,978</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, 2021**

Operating Revenues	
Surcharges	\$ 1,044,452
State of Illinois Wireless Surcharge	2,939,124
Total Operating Revenues	<u>3,983,576</u>
Operating Expenses	
Direct Expenses	3,075,625
Administrative Expenses	33,959
Depreciation Expense	170,740
Total Operating Expenses	<u>3,280,324</u>
Operating Income	703,252
Nonoperating (Expenses)	<u>(579,763)</u>
Change in Net Position	123,489
Net Position - Beginning	<u>2,027,489</u>
Net Position - Ending	<u><u>2,150,978</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, 2021

Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 4,297,484
Payment to Suppliers	<u>(3,391,136)</u>
	<u>906,348</u>
Cash Flows from Capital and Related Financing Activities	
Capital Contributions to Member Agencies	(890,370)
Principal Payment on Loan	(156,934)
Interest Payment on Loan	<u>(316)</u>
	<u>(1,047,620)</u>
Cash Flows from Investing Activities	
Interest Received	<u>10,924</u>
Net Change in Cash and Cash Equivalents	(130,348)
Cash and Cash Equivalents - Beginning	<u>2,388,868</u>
Cash and Cash Equivalents - Ending	<u><u>2,258,520</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used)	
by Operating Activities	
Operating Income	703,252
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	170,740
Other Income	299,999
(Increase) Decrease in Current Assets	13,909
Increase (Decrease) in Current Liabilities	<u>(281,552)</u>
Net Cash Provided by Operating Activities	<u><u>906,348</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, 2021**

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, 2021**

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.

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

**Notes to the Financial Statements
November 30, 2021**

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):

Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation, other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if applicable.

Unrestricted - All other net position balances that do not meet the definition of “restricted” or “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, 2021**

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.

Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of the Board's deposits totaled \$2,258,520 and the bank balances totaled \$2,258,520. This balance represents the Board's proportionate share of the County's cash portfolio, as these transactions are managed by Kane County.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board has no investments at year-end. The Board does not have an investment policy that addresses Interest Rate Risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board does not have an investment policy that addresses Credit Risk.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the Board's deposits may not be returned to it. At year-end, the entire amount of the bank balance of deposits was covered by collateral, federal depository or equivalent insurance. The Board does not have an investment policy that addresses Custodial Credit Risk.

Concentration Risk. This is the risk of loss attributed to the magnitude of the Board's investment in a single issuer. At year-end, the Board does not have any investments over 5 percent of the total cash and investment portfolio (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments). The Board does not have an investment policy that addresses Concentration Risk.

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

**Notes to the Financial Statements
November 30, 2021**

NOTE 3 - DETAILS NOTES ON THE BASIC FINANCIAL STATEMENTS

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>1,379,473</u>	<u>—</u>	<u>—</u>	<u>1,379,473</u>
Less Accumulated Depreciation				
Equipment	736,081	105,154	—	841,235
Equipment Upgrades	65,585	65,586	—	131,171
	<u>801,666</u>	<u>170,740</u>	<u>—</u>	<u>972,406</u>
Net Capital Assets	<u>577,807</u>	<u>(170,740)</u>	<u>—</u>	<u>407,067</u>

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.	\$ 156,934	—	156,934	—

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

**Notes to the Financial Statements
November 30, 2021**

NOTE 3 - DETAILS NOTES ON THE BASIC FINANCIAL STATEMENTS - 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	\$ 156,934	—	156,934	—	—

NET POSITION CLASSIFICATION

Investment in capital assets was comprised of the following as of November 30, 2021:

Business-Type Activities	
Capital Assets - Net of Accumulated Depreciation	<u>\$ 407,067</u>

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

Member	Share of Equity
Kane County	\$ 957,191
Tri-Com	<u>1,193,787</u>
Total	<u>2,150,978</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, 2021**

	Wireline	Wireless	Totals
Operating Revenues			
Surcharges	\$ 1,044,452	—	1,044,452
State of Illinois Wireless Surcharge	—	2,939,124	2,939,124
Total Operating Revenue	<u>1,044,452</u>	<u>2,939,124</u>	<u>3,983,576</u>
Operating Expenses			
Direct Expenses	136,501	2,939,124	3,075,625
Administrative Expenses	33,959	—	33,959
Depreciation Expense	170,740	—	170,740
Total Operating Expenses	<u>341,200</u>	<u>2,939,124</u>	<u>3,280,324</u>
Operating Income	703,252	—	703,252
Nonoperating Revenues (Expenses)	<u>(581,796)</u>	2,033	<u>(579,763)</u>
Change in Net Position	<u>121,456</u>	<u>2,033</u>	123,489
Net Position - Beginning			<u>2,027,489</u>
Net Position - Ending			<u>2,150,978</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, 2021**

	Budget	
	Original and Final	Actual Amounts
Operating Revenues		
Kane County Wireline Surcharge	\$ 1,047,000	1,044,452
Operating Expenses		
Direct Expenses		
Telephone CPE Maintenance	68,600	70,407
Telephone POTS and CPE Maintenance	6,000	3,774
Telephone Headsets Repair and Maintenance	5,000	3,743
MSAG Maintenance	35,000	34,080
Voice Recorder Maintenance	—	1,600
Training Expenses	4,500	6,113
Contingency Expenses	100,000	4,270
Language Line Services	2,100	2,225
Surcharge Reimbursement - Kendall County	14,000	10,289
Administrative Expenses		
Workshops and Conferences	10,000	3,517
Insurance	11,400	11,228
Office Expense and Postage	750	—
Accounting and Consulting	20,000	9,338
Legal Expenses	4,000	126
Consulting Expenses	50,000	—
Audit Expenses	6,500	5,800
Administrative Services	7,500	3,950
Depreciation Expense	170,740	170,740
Total Operating Expenses	516,090	341,200
Operating Income	530,910	703,252
Nonoperating Revenues (Expenses)		
Interest Income	18,000	8,891
Operating Grants	—	298,643
Other Income - Treasury Rebate	—	1,356
Interest Expense	(2,411)	(316)
Capital Contributions to Agency Members - Tri-Com	—	(727,655)
Capital Contributions to Agency Members - Kane County	—	(162,715)
Total Nonoperating Revenues (Expenses)	15,589	(581,796)
Change in Net Position	546,499	121,456

**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, 2021**

	Budget	
	Original and Final	Actual Amounts
Operating Revenues		
State of Illinois Wireless Surcharge	\$ 3,141,000	2,939,124
Operating Expenses		
Tri-Comm Pass-Thru Wireless	2,326,225	2,103,146
Kane County Pass-Thru Wireless	814,775	835,978
Total Operating Expenses	3,141,000	2,939,124
Operating Income	—	—
Nonoperating Revenues		
Interest Income	5,000	2,033
Change in Net Position	5,000	2,033