

**KENDALL COUNTY EMERGENCY
TELEPHONE SYSTEM BOARD**

YORKVILLE, ILLINOIS

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
NOVEMBER 30, 2011**

Prepared by:

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CERTIFIED PUBLIC ACCOUNTANTS

KENDALL COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

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INDEPENDENT AUDITORS' REPORT



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Independent Auditors' Report

To the Board of Directors
Kendall County Emergency
Telephone System Board
Yorkville, Illinois 60560

We have audited the accompanying financial statements of the Kendall County Emergency Telephone System Board (a nonprofit organization) as of November 30, 2011 and the related statements of activities and cash flow for the years then ended. These financial statements are the responsibility of the Emergency Telephone System Board's management. Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kendall County Emergency Telephone System Board as of November 30, 2011 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2011, on our consideration of the Kendall County Emergency Telephone Systems Board's internal control over financial reporting and our tests of its compliance with certain provisions laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The managements discussion and analysis and the budgetary comparison information on pages 3 through 8 and 20 through 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kendall County Emergency Telephone Systems Board's basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mack & Associates, P.C.

MACK & ASSOCIATES, P.C.
Certified Public Accountants

Morris, Illinois
December 29, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

**KENDALL COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
Management's Discussion and Analysis (Unaudited)**

For the Year Ended November 30, 2011

Our discussion and analysis of the Kendall County Emergency Telephone System Board's financial performance provides an overview of the Board's financial activities for the fiscal year ended November 30, 2011, within the limitations of the Board's modified accrual basis of accounting. Please read it in conjunction with the Kendall County Emergency Telephone System Board's financial statements that begin on page 9.

FINANCIAL HIGHLIGHTS

- The Kendall County Emergency Telephone System Board revenues were less than total expenses, on the modified accrual basis of accounting, by \$432,102 for the year. All of the increase is attributed to the Board's business type activities.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Board's modified accrual basis of accounting.

Report Components

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements (proprietary and fund statements) including notes to the financial statements, and required supplementary information. The basic financial statements include three kinds of statements that present different views of the Emergency Telephone System Board:

- The Statement of Net Assets provides information on proprietary statements and is in the modified accrual basis method of accounting. The statements present an aggregated view of the Emergency Telephone System Board.
- The focus of proprietary fund financial statements is on major funds.
- The fund statements are presented on an accrual basis of accounting, the method the Board uses for internal accounting.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the governmental-wide and fund financial statements and provide expanded information and detail regarding the information reported in the statements.

Required Supplementary Information: This Management's Discussion and Analysis represents financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the proprietary statements, fund financial statements, and notes (referred to as "the basic financial statements").

**KENDALL COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
Management's Discussion and Analysis (Unaudited)**

For the Year Ended November 30, 2011

Basis of Accounting

The Board has elected to report the financial statements using modified accrual basis of accounting, which is a generally accepted accounting principle. Accrual basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues and expenses. Related assets and liabilities are recorded when they occur rather than from cash transactions. Depreciation expense on capital assets is reported in the proprietary and fund statements.

Reporting the Kendall County Emergency Telephone System Board as a Whole

The Emergency Telephone System Board's Entity Presentation

This annual report includes all activities for which the Kendall County Emergency Telephone System Board is fiscally responsible. These activities are defined as the Kendall County Emergency Telephone System Board reporting entity.

The Proprietary Fund Statements of Net Assets and the Statement of Activities

The Proprietary Fund Statement of Net Asset's includes all of the Board's net assets and how they have changed. The difference between the Board's assets and liabilities are another way to measure the Board's overall financial position. The current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Fund Net Assets. The Net Asset statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private companies. Over time, increases or decreases in the Board's net assets are an indicator of whether its financial position is improving or deteriorating, respectively

In the Statement of Net Assets and the Statement of Activities, the Board has only business type of activities: Business-type activities—The Board charges fees to help it cover all or most of the cost of certain services it provides. The Board's fee income and expenses are reported here.

KENDALL COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
Management's Discussion and Analysis (Unaudited)

For the Year Ended November 30, 2011

The Fund Financial Statements

Funds are required by state law and by bond covenants. The Board can establish other funds to control and manage monies for particular purposes or to show that it is properly using certain revenues. The Board has only a proprietary fund.

- Proprietary funds—When the Board charges customers for the services it provides—whether to outside customers or to other units of the County—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Board's enterprise funds (a component of proprietary funds) are business-type funds. We provide more detail and additional information, such as cash flows, for proprietary funds.

KENDALL COUNTY TELEPHONE SYSTEM BOARD
Management's Discussion and Analysis (Unaudited)
For the Year Ended November 30, 2011

A FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE

Net Assets--Modified Accrual Basis

The Board's combined net assets, resulting from modified accrual basis transactions, with comparisons to prior year, are as follows.

	Business-type Activities	Business-type Activities	Totals Percentage Change
	2011	2010	2010-2011
<u>Assets</u>			
Current and other assets	\$ 3,495,547	2,925,753	19%
Capital Assets	545,249	684,703	-20%
 Total assets	 4,040,796	 3,610,456	 12%
 Current liabilities	 13,049	 14,811	 0%
 Total liabilities	 13,049	 14,811	 0%
 Net assets			
Invested in capital			
Assets, net of related debt	545,249	684,703	-20%
Restricted	-	-	0%
Unrestricted	3,482,498	2,910,942	20%
 Total net assets	 \$ 4,027,747	 3,595,646	 12%

KENDALL COUNTY TELEPHONE SYSTEM BOARD
Management's Discussion and Analysis (Unaudited)
For the Year Ended November 30, 2011

Changes in Net Assets--Modified Accrual Basis

For the year ended November 30, 2011, net assets of the Emergency Telephone System Board (resulting from modified accrual basis transactions) changed as follows:

	Business-Type Activities <u>2011</u>	Business-Type Activities <u>2010</u>	Total Percentage Change <u>2010-2011</u>
Revenues			
General revenues			
Service fees	\$ 946,145	1,053,878	-10%
Kendall County	1,857,819	-	100%
Investment income	9,347	11,084	-16%
Miscellaneous revenues	8,336	2,665	213%
Total revenues	2,821,647	1,067,627	164%
Expenses			
General government:			
Administrative expenses	2,389,545	554,715	331%
Total expenses	2,389,545	554,715	331%
Excess (deficiency) before transfers	432,102	512,912	-16%
Increase in net assets	432,102	512,912	-16%
Total net assets-beginning	3,595,646	3,082,734	17%
Total net assets-ending	\$ 4,027,747	3,595,646	12%

KENDALL COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
Management's Discussion and Analysis (Unaudited)
For the Year Ended November 30, 2011

Capital Assets--Modified Accrual Basis

At November 30, 2011, the Emergency Telephone System Board had \$545,249 invested in capital assets, net of depreciation. See notes for more information on assets.

Business Type Activities Capital Assets--Modified Accrual Basis
(Net of accumulated depreciation)

	Business Type Activities	
	Totals	
	2011	2010
Equipment	545,249	684,703
	<u>545,249</u>	<u>684,703</u>

Major purchase for the year ended November 30, 2011 was CAD server/ setup and CISCO laptops

Depreciation for the year ended November 30, 2011: \$180,604.

Long-Term Debt--Modified Accrual Basis

At November 30, 2011 the Emergency Telephone System Board had no long-term debt.

KENDALL COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
Statement of Fund Net Assets
Proprietary Fund
November 30, 2011

Statement A

	Business-type Activities		
	Enterprise Funds	Total	
	911 Service	2011	2010
<u>Assets</u>			
Current assets			
Cash	\$ 3,394,435	3,394,435	2,822,979
Accounts receivable	76,112	76,112	86,586
Prepaid expenses	25,000	25,000	16,188
Total current assets	<u>3,495,547</u>	<u>3,495,547</u>	<u>2,925,753</u>
Noncurrent assets			
Capital Assets			
Equipment	3,761,985	3,761,985	3,720,834
Less: accumulated depreciation	<u>(3,216,736)</u>	<u>(3,216,736)</u>	<u>(3,036,131)</u>
Total noncurrent assets	<u>545,249</u>	<u>545,249</u>	<u>684,703</u>
Total assets	<u>\$ 4,040,796</u>	<u>4,040,796</u>	<u>3,610,456</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	<u>13,049</u>	<u>13,049</u>	<u>14,811</u>
Total current liabilities	<u>13,049</u>	<u>13,049</u>	<u>14,811</u>
Total liabilities	<u>\$ 13,049</u>	<u>13,049</u>	<u>14,811</u>
Invested in capital assets, net of related debt	545,249	545,249	684,703
Unrestricted			
Restricted	<u>3,482,498</u>	<u>3,482,498</u>	<u>2,910,942</u>
Total net assets	<u>\$ 4,027,747</u>	<u>4,027,747</u>	<u>3,595,646</u>

The Notes to Financial Statements are an integral part of this statement.

KENDALL COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
Statement of Activities
Proprietary Fund

For the Year Ended November 30, 2011

Program Activities	Expenses	Program Revenues		Net (Expenses) Revenue And Changes in Net Assets	
		Fees and Charges for Services	Operating Grants and Contributions	2011	2010
Business-type activities:					
Public safety	\$ 2,389,545	946,145	-	(1,443,400)	499,163
Total business-type	\$ 2,389,545	946,145	-	(1,443,400)	499,163
General revenues					
				9,347	11,084
				1,857,819	-
				8,336	2,665
				<u>1,875,502</u>	<u>13,749</u>
				<u>432,102</u>	<u>512,912</u>
				<u>3,595,646</u>	<u>3,082,732</u>
				<u>4,027,747</u>	<u>3,595,646</u>

The Notes to Financial Statements are an integral part of this statement.

KENDALL COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

Statement of Assets, Liabilities, and Fund Balance
Proprietary Fund

November 30, 2011

	General -	KenCom	Building Fund	Equipment Fund	Totals	
	911 Board Fund	Operations Fund			2011	2010
<u>Assets</u>						
Current assets:						
Cash in bank	\$ 545,463	48,972	600,000	2,200,000	3,394,435	2,822,979
Accounts receivable	76,112	-	-	-	76,112	86,586
Prepaid expenses	-	25,000	-	-	25,000	16,188
Total current assets	621,575	73,972	600,000	2,200,000	3,495,547	2,925,753
Equipment at cost	3,761,985	-	-	-	3,761,985	3,720,834
Accumulated depreciation	(3,216,736)	-	-	-	(3,216,736)	(3,036,131)
Net equipment	545,249	-	-	-	545,249	684,703
Total assets	\$ 1,166,824	73,972	600,000	2,200,000	4,040,796	3,610,456
<u>Liabilities and Net Assets</u>						
Liabilities:						
Accounts payable	\$ 11,976	1,073	-	-	13,049	14,811
Total liabilities	11,976	1,073	-	-	13,049	14,811
Net assets -						
Restricted	1,154,848	-	-	-	1,154,848	-
Committed	-	-	600,000	2,200,000	2,800,000	-
Unassigned	-	72,899	-	-	72,899	-
Unrestricted	-	-	-	-	-	3,595,646
Total net assets	1,154,848	72,899	600,000	2,200,000	4,027,747	3,595,646
Total liabilities and net assets	\$ 1,166,824	73,972	600,000	2,200,000	4,040,796	3,610,456

The Notes to Financial Statements are an integral part of this statement.

KENDALL COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Year Ended November 30, 2011

(With Comparative Figures from November 30, 2010)

	General -		KenCom		Totals	
	911 Board Fund	Operations Fund	Building Fund	Equipment Fund	2011	2010
Revenues, gains and other support:						
Telephone income	\$ 934,361	11,784	-	-	946,145	1,053,878
Interest income	9,347	-	-	-	9,347	11,084
Kendall County	-	1,857,819	-	-	1,857,819	-
Miscellaneous income	2,125	6,211	-	-	8,336	2,665
Total revenues, gains and other support	945,833	1,875,814	-	-	2,821,647	1,067,627
Expenses:						
Salary	-	1,309,706	-	-	1,309,706	8,507
Health insurance	-	194,637	-	-	194,637	-
Social security/ medicare	-	220,950	-	-	220,950	-
Liability insurance	-	8,936	-	-	8,936	-
Supplies	-	7,041	-	-	7,041	-
Postage and printing	144	1,192	-	-	1,336	93
Audit	1,900	-	-	-	1,900	1,800
Consulting fees	90,028	-	-	-	90,028	13,009
Depreciation expense	180,604	-	-	-	180,604	195,351
Reoccurring monthly expenses	78,894	-	-	-	78,894	96,931
Equipment expense	2,500	-	-	-	2,500	-
Repairs and maintenance	-	2,341	-	-	2,341	2,844
Legal expense	6,100	-	-	-	6,100	-
GIS consulting	5,550	-	-	-	5,550	-
Annual maintenance	183,492	-	-	-	183,492	188,357
Training	326	1,397	-	-	1,723	3,744
Radio lines	-	41,478	-	-	41,478	-
Capital expenditures	2,986	-	-	-	2,986	-
Leads service charges	-	15,237	-	-	15,237	-
Contingency	15,329	-	-	-	15,329	23,904
Surcharge reimbursement	18,777	-	-	-	18,777	20,175
Total expenses	586,630	1,802,915	-	-	2,389,545	554,715
Change in net assets	359,203	72,899	-	-	432,102	512,912
Other financing sources/(uses)						
Transfer in	-	-	100,000	700,000	800,000	1,450,000
Transfer to equipment	(700,000)	-	-	-	(700,000)	(1,300,000)
Transfer to building fund	(100,000)	-	-	-	(100,000)	(150,000)
Net assets at beginning of year	1,595,645	-	500,000	1,500,000	3,595,646	3,082,732
Net assets at end of year	\$ 1,154,848	72,899	600,000	2,200,000	4,027,747	3,595,646

The Notes to Financial Statements are an integral part of this statement.

KENDALL COUNTY TELEPHONE SYSTEM BOARD
Statement of Cash Flows
Proprietary Funds

Statement E

For the Year Ended November 30, 2011
(With Comparative Figures from November 30, 2010)

	Business-type Activities--		Totals
	Enterprise Funds		
	911 Service	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,803,964	2,803,964	1,041,700
Payments to suppliers	(2,250,191)	(2,250,191)	(363,697)
Other receipts (payments)	8,336	8,336	2,665
Net cash provided by operating activities	562,109	562,109	680,668
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	9,347	9,347	11,084
Purchases of capital assets	-	-	-
Net cash provided by investing activities	9,347	9,347	11,084
Net increase (decrease) in cash and cash equivalents	571,456	571,456	691,752
Balances--beginning of the year	2,822,979	2,822,979	2,131,227
Balances--end of the year	\$ 3,394,435	3,394,435	2,822,979
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	384,929	384,929	480,983
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	180,604	180,604	191,802
Changes in assets and liabilities:			
Receivables, net	(10,474)	(10,474)	-
Prepaid expense	8,812	8,812	(6,729)
Accounts and other payables	(1,762)	(1,762)	14,612
Net cash provided by operating activities	\$ 562,109	562,109	680,668

The Notes to Financial Statements are an integral part of this statement.

FINANCIAL STATEMENTS

KENDALL COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
Notes to Financial Statements

For the Year Ended November 30, 2011

Note 1: Summary of Significant Accounting Policies

These financial statements are presented on a modified accrual basis of accounting. This modified basis of accounting is an accounting principle generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the Commission's financial statements Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified accrual basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Financial Reporting Entity

The Board's financial reporting entity is composed of the following:

Governmental Unit: Kendall County Emergency Telephone System Board- In determining the financial reporting entity, the Board complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The Kendall County Emergency Telephone System Board was authorized by a resolution of the Kendall County Board of Commissioners in November 1988.

The Kendall County Emergency Telephone System Board shall be the overseer of the enhanced 9-1-1 Project. It will ensure, but not be limited to, the timely implementation of the Enhanced 9-1-1 Project and administer the funds that will be generated from telephone surcharges beginning April 1, 1989.

B. Basis of Presentation

The Kendall County Emergency Telephone System Board has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Board is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Board is required to present a statement of cash flows.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories.

KENDALL COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
Notes to Financial Statements

For the Year Ended November 30, 2011

Note 1: Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (Continued)

A fund is considered major if it is the primary operating fund of the Emergency Telephone System Board or meets the following criteria:

- a. At least 10 percent of the corresponding total for all funds of total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

<u>Fund</u>	<u>Brief Description</u>
General – 911 Board Fund	Accounts for the activities of income from the emergency telephone system
KenCom Operations Fund	Accounts for the 911 program operations within the County.
Building Fund	Accounts for activities for the Building Reserve
Equipment Fund	Accounts for activities for the Equipment Reserves

Measurement Focus

In the government-wide Statement of Net Assets, the governmental activities are presented using the economic resources measurement focus, using the modified accrual basis of accounting.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the accrual basis of accounting, is used as appropriate.

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

KENDALL COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
Notes to Financial Statements

For the Year Ended November 30, 2011

Note 1: Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (Continued)

b. The proprietary fund utilizes “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net asset (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the Proprietary Statements the net assets are presented using a modified accrual basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they occur and not when they result from cash transactions. Depreciation is reported in these statements. This basis is a generally accepted accounting principle in the United States of America.

As a result of the use of this modified accrual basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are recorded* in these financial statements.

The financial statements are maintained during the year by the Board on a cash basis. At the end of the year, the financial statements are converted to the accrual basis by journal entries.

Proprietary Statements

Capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Revenues, Expenses, and Changes in Fund Net Assets with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Machinery, furniture, and equipment	3-20 years
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KENDALL COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
Notes to Financial Statements

For the Year Ended November 30, 2011

Note 1: Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (Continued)

Equity Classification

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—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 improvements of those assets.
- b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets—All other net assets that do not meet the definitions of “restricted” or “invested in capital assets, net of related debt.”

C. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Board considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which range from 5 to 10 years.

F. Income Taxes

The Board is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

G. Contributions

The Board has also adopted SFAS No. 116, “Accounting for Contributions Received and Contributions Made.” Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of a donor restriction.

KENDALL COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

Notes to Financial Statements

For the Year Ended November 30, 2011

Note 2: Cash and Investments

All bank balances of deposits as of November 30, 2011 are entirely insured or collateralized with securities held by the Board or by its agent in the Board's name. Investments are stated at cost, which approximates market.

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category #1	\$ -	-
Category #2	2,894,435	2,894,435
Category #3	500,000	500,000
Totals	<u>\$ 3,394,435</u>	<u>3,394,435</u>

Category #1 Uncollateralized;

Category #2 Collateralized with securities held by pledging financial institution;

Category #3 Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

Note 3: General Fixed Assets

	<u>Beginning Balance 12/1/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 11/30/11</u>
Capital Assets:				
Equipment	3,720,834	41,151	-	3,761,985
Total capital assets	3,720,834	41,151	-	3,761,985
Less accumulated depreciation Equipment	3,036,132	180,604	-	3,216,736
Total accumulated depreciation	3,036,132	180,604	-	3,216,736
Business type capital assets, net	<u>\$ 684,703</u>	<u>(139,453)</u>	<u>-</u>	<u>545,249</u>

Note 4: Expenditures in Excess of Appropriation

General – 911 Board Fund - Expenditures exceeded appropriation due to depreciation expense not being included in the budget.

KenCom Operations Fund – Expenditures exceeded appropriation due to health insurance, social security, medicare and liability insurance not being included in the budget.

KENDALL COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

Notes to Financial Statements

For the Year Ended November 30, 2011

Note 5: KenCom Operations Fund

The KenCom Operations Fund will be a separate entity effective 12/1/2011. A new account will be created for the entity. The County will pay \$1.775 million to KenCom each year. Municipalities within the County have signed the new agreement rather than creating their own 911 programs. Sheriff, police, and fire agencies will make contributions to KenCom each year based on each District's percentage of the total call volume. Agencies will be billed November 30th of each year. Sandwich Fire will contribute \$10,000/ year to KenCom for dispatching services.

Note 6: Reserve Funds

The General – 911 Board Fund is an “assigned” restricted fund. Revenues to this fund are expended for administration and maintenance of the 911 system.

The KenCom Operations Fund is an “unassigned” restricted fund. Revenues to this fund come from the County and Districts within the 911 area serviced. Expenses are mainly salary and benefits.

The Equipment Fund and the Building Fund are “committed” restricted funds. Contributions to these funds are held for future projects.

KENDALL COUNTY TELEPHONE SYSTEM BOARD
GENERAL - 911 BOARD FUND

Statement of Assets, Liabilities and Fund Balances
Arising from Cash Transactions
November 30, 2011

<u>Assets</u>	
Cash in bank	\$ 545,463
Accounts receivable	76,112
Capital assets, net accumulated depreciation	545,249
Prepays	-
	<u>1,166,824</u>
 <u>Liabilities and Fund Balance</u> 	
Accounts payable	\$ 11,976
Fund balance	1,154,848
	<u>1,166,824</u>

Schedule A-2

Statement of Revenues, Expenses and Changes in Fund Balance
Budget (Accrual Basis) and Actual
For the Year Ended November 30, 2011
(With Comparative Figures from November 30, 2010)

	Original & Final Budget	Year Ended November 30,	
		2011	2010
Revenues			
Telephone surcharges	\$ 900,000	934,361	1,053,878
Miscellaneous income	1,000	2,125	2,665
Interest income	5,000	9,347	11,084
Total revenues	906,000	945,833	1,067,627
Expenditures			
Salaries - management	8,507	-	8,507
Reoccurring monthly expenses	95,000	78,894	96,931
Postage and printing	100	144	93
Audit	2,200	1,900	1,800
Repairs and maintenance	-	-	2,844
Equipment expense	-	2,500	-
Depreciation expense	-	180,604	195,351
Contingency	50,000	15,329	23,904
Legal expense	-	6,100	-
GIS consulting	-	5,550	-
Consultant fees	140,000	90,028	13,009
Training	6,000	326	3,744
Will surcharge reimbursement	12,000	6,827	7,306
Reverse 9-1-1	25,000	-	-
Annual maintenance	175,000	183,492	188,357
Capital expenditures	-	2,986	-
Kane surcharge reimbursement	20,000	11,950	12,869
Total expenditures	533,807	586,630	554,715
Excess of revenues over (under) expenditures	\$ 372,193	359,203	512,912
Other financing sources/(uses)			
Transfer to building	(150,000)	(100,000)	(150,000)
Transfer to equipment	(1,300,000)	(700,000)	(1,300,000)
Fund balance, beginning of year		1,595,645	2,532,732
Fund balance, end of year		1,154,848	1,595,645

The Notes to Financial Statements are an integral part of this statement.

KENDALL COUNTY TELEPHONE SYSTEM BOARD
KENCOM OPERATIONS FUND

Statement of Assets, Liabilities and Fund Balances
Arising from Cash Transactions
November 30, 2011

<u>Assets</u>	
Cash in bank	\$ 48,972
Prepaid expenses	25,000
	<u>73,972</u>
<u>Liabilities and Fund Balance</u>	
Accounts payable	\$ 1,073
Fund balance	72,899
	<u>73,972</u>

Schedule A-2

Statement of Revenues, Expenses and Changes in Fund Balance
Budget (Accrual Basis) and Actual
For the Year Ended November 30, 2011
(With Comparative Figures from November 30, 2010)

	Original & Final Budget	Year Ended November 30,	
		2011	2010
Revenues			
District contributions	\$ -	11,784	-
Miscellaneous income	-	6,211	11,804
Kendall County	-	1,857,819	1,286,128
		<u>1,875,814</u>	<u>1,297,932</u>
Total revenues	-	1,875,814	1,297,932
Expenditures			
Salary - director	94,316	94,316	92,574
Salary - assistant director	69,706	69,706	68,339
Salary - supervisors	177,090	139,960	119,938
Salary - contractual recorder	750	576	-
Salary - regular	834,535	787,525	777,432
Salary - overtime	96,000	152,892	115,516
Salary - training	9,200	3,361	2,271
Holiday pay	60,000	61,370	39,626
Health insurance	-	194,637	-
Social security/ medicare	-	220,950	-
Liability insurance	-	8,936	-
Supplies	3,000	1,682	2,390
Mileage	2,000	1,052	1,934
Postage	350	11	139
Books/subscriptions	200	-	-
Dues/subscriptions	1,500	2,325	510
Training conferences	2,500	1,397	1,052
Equipment maintenance	6,000	2,341	4,300
Printing/publications	1,250	1,181	321
Radio lines	54,000	41,478	49,801
Training	6,000	-	5,501
Leads service charges	18,000	15,237	13,804
Employee screening	1,000	91	841
Telephone	2,500	1,891	1,643
		<u>1,802,915</u>	<u>1,297,932</u>
Total expenditures	1,439,897	1,802,915	1,297,932
Excess of revenues over (under) expenditures	(1,439,897)	72,899	-
Fund balance, beginning of year		-	-
Fund balance, end of year		<u>72,899</u>	-

The Notes to Financial Statements are an integral part of this statement.

KENDALL COUNTY TELEPHONE SYSTEM BOARD
BUILDING FUND

Statement of Assets, Liabilities and Fund Balances
Arising from Cash Transactions
November 30, 2011

<u>Assets</u>	
Cash in bank	<u>\$ 600,000</u>
 <u>Fund Balance</u>	
Fund balance	<u>\$ 600,000</u>

Schedule B-2

Statement of Revenues, Expenses and Changes in Fund Balance
Budget (Accrual Basis) and Actual
For the Year Ended November 30, 2011
(With Comparative Figures from November 30, 2010)

	Original & Final Budget	Year Ended November 30,	
		2011	2010
Revenues			
Interest income	\$ -	-	-
Total revenues	-	-	-
Expenditures			
Repairs and maintenance	-	-	-
Total expenditures	-	-	-
Excess of revenues over (under) expenditures	<u>\$ -</u>	-	-
Other financing sources/(uses)			
Transfer in	\$ 350,000	100,000	150,000
Fund balance, beginning of year		<u>500,000</u>	<u>350,000</u>
Fund balance, end of year		<u>600,000</u>	<u>500,000</u>

The Notes to Financial Statements are an integral part of this statement.

KENDALL COUNTY TELEPHONE SYSTEM BOARD
EQUIPMENT FUND

SCHEDULE C-1

Statement of Assets, Liabilities and Fund Balances
Arising from Cash Transactions
November 30, 2011

<u>Assets</u>	
Cash in bank	<u>\$ 2,200,000</u>
 <u>Fund Balance</u>	
Fund balance- Reserve for special bridge	<u>\$ 2,200,000</u>

Schedule C-2

Statement of Revenues, Expenses and Changes in Fund Balance
Budget (Accrual Basis) and Actual
For the Year Ended November 30, 2011
(With Comparative Figures from November 30, 2010)

	<u>Original & Final Budget</u>	Year Ended November 30,	
		<u>2011</u>	<u>2010</u>
Revenues			
Interest income	\$ -	-	-
Total revenues	-	-	-
Expenditures			
Equipment expense	-	-	-
Total expenditures	-	-	-
Excess of revenues over (under) expenditures	<u>\$ -</u>	-	-
Other financing sources/(uses)			
Transfers In	\$ 200,000	700,000	1,300,000
Fund balance, beginning of year		<u>1,500,000</u>	<u>200,000</u>
Fund balance, end of year		<u>2,200,000</u>	<u>1,500,000</u>

The Notes to Financial Statements are an integral part of this statement.



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Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards*

To The Board of Directors
Kendall County Emergency
Telephone System Board
Yorkville, Illinois

We have audited the financial statements of Kendall County Emergency Telephone System Board, as of and for the year ended November 30, 2011, and have issued our report thereon dated December 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Kendall County Emergency Telephone System Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Kendall County Emergency Telephone System Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Kendall County Emergency Telephone System Board's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Kendall County Emergency Telephone System Board's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Kendall County Emergency Telephone System Board's financial statements that is more than inconsequential will not be prevented or detected by the Kendall County Emergency Telephone System Board's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Kendall County Emergency Telephone System Board's internal control

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kendall County Emergency Telephone Systems Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mack & Associates, P.C.

MACK & ASSOCIATES, P.C.
Certified Public Accountants

Monroeville, Illinois
December 29, 2011