

**KENDALL COUNTY EMERGENCY PHONE
SYSTEM AND COMMUNICATIONS BOARD
YORKVILLE, ILLINOIS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
NOVEMBER 30, 2013**

Prepared by:

*Mack & Associates, P.C.
Certified Public Accountants*

*116 E. Washington Street, Suite One
Morris, IL 60450
Telephone: (815) 942-3306*



CERTIFIED PUBLIC ACCOUNTANTS

KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD

Table of Contents

	PAGE
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3-7
FINANCIAL STATEMENTS	
Government-wide Financial Statement – Statement of Net Position (Statement A)	8
Government-wide Financial Statement – Statement of Activities (Statement B)	9
Balance Sheet – Governmental Funds (Statement C)	10-11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Statement D)	12-13
NOTES TO FINANCIAL STATEMENTS	14-22
REQUIRED SUPPLEMENTARY INFORMATION	
ETSB Fund:	
Balance Sheet (Schedule A-1)	23
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Schedule A-2)	24
KenCom Operations Fund:	
Balance Sheet (Schedule B-1)	25
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Schedule B-2)	26
Building Fund:	
Balance Sheet (Schedule C-1)	27
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Schedule C-2)	27

KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD

Table of Contents

	PAGE
Equipment Fund:	
Balance Sheet (Schedule D-1)	28
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Schedule D-2)	28
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	29-30

INDEPENDENT AUDITORS' REPORT



116 E. Washington Street
Suite One
Morris, Illinois 60450

Phone: (815) 942-3306
Fax: (815) 942-9430
www.mackcpas.com

TAWNYA R. MACK, CPA
LAURI POPE, CPA
ERICA L. BLUMBERG, CPA
MATT MELVIN
AMY TAYLOR
CHRIS CHRISTENSEN
STEPHANIE HEISNER

Independent Auditors' Report

To the Board of Directors
Kendall County Emergency Phone Service
and Communications Board
Yorkville, Illinois 60560

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kendall County Emergency Phone Service and Communication Board, Illinois as of and for the year ended November 30, 2013, and the related notes to the financial statements, which collectively comprise Kendall County Emergency Phone Service and Communication 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 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 from 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 entity'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 entity'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 governmental activities, each major fund, and the aggregate remaining fund information of the Kendall County Emergency Phone Service and Communication Board, Illinois as of November 30, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–7 and 23–28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2014, on our consideration of the Kendall County Emergency Phone Service and Communication Board, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Kendall County Emergency Phone Service and Communication Board, Illinois' internal control over financial reporting and compliance.

Mack & Associates, P.C.

MACK & ASSOCIATES, P.C.
Certified Public Accountants

Morris, Illinois
January 10, 2014

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

**KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD
Management's Discussion and Analysis (Unaudited)**

For the Year Ended November 30, 2013

Our discussion and analysis of the Kendall County Emergency Phone Service and Communication Board's financial performance provides an overview of the Board's financial activities for the fiscal year ended November 30, 2013. Please read it in conjunction with the Kendall County Emergency Phone Service and Communication Board's financial statements that begin on page 8.

FINANCIAL HIGHLIGHTS

- The Emergency Phone Service and Communication Board's net position increased \$854,863 to \$5,141,418 in 2013 from \$4,286,555 in 2012.
- During the current fiscal year, KenCom's total revenues were greater than total expenditures by \$587,236.
- KenCom's ETSB Fund ended the year with a fund balance of \$770,699 which represents a 10.9% increase from the prior year. The KenCom Operations Fund ended the year with a fund balance of \$192,438, the Building Fund ended the year with a fund balance of \$625,000, the Equipment Fund ended the year with a fund balance of \$1,084,833, and overall, KenCom ended the year with a fund balance of \$2,672,970 which represents a 28.2% increase from the prior year.
- The ETSB Fund's total expenditures of \$237,929 were \$153,771 less than the \$391,700 budgeted for the 2013 fiscal year.

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 KenCom'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 (government-wide and fund statements) including notes to the financial statements, and required supplementary information. The basic financial statements include two types of statements that present different views of the Emergency Phone Service and Communication Board:

Government-wide Financial Statements: The Government-wide Financial Statements report information about KenCom as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes KenCom's net position and how it has changed. Net position, the difference between KenCom's assets and liabilities, are one way to measure KenCom's overall financial condition. All of the current year's revenues and expenses are accounted for in the Statement of Activities.

The Government-wide Financial Statements are useful in assessing the financial position of KenCom:

- Over time, increases or decreases in KenCom's net position is an indicator of whether its financial condition is improving or deteriorating.
- To assess the overall financial condition of KenCom, additional non-financial factors should be considered.

**KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD
Management's Discussion and Analysis (Unaudited)**

For the Year Ended November 30, 2013

In the Government-wide Financial Statements, KenCom's activities are categorized as:

- *Governmental activities:* Most of KenCom's basic services are reported here. Surcharges and intergovernmental fees finance most of these activities.

Fund Financial Statements: Fund financial statements focus on the individual parts of KenCom's government. Fund financial statements also report KenCom's operations in more detail than the Government-wide Financial Statements by focusing on its most significant or "major" funds. Funds are accounting devices KenCom uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. KenCom can establish other funds to control and manage monies for particular purposes or to show that it is properly using certain revenues.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-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 and the individual funds' Budgetary Comparison Schedules represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Basis of Accounting

KenCom has elected to report the financial statements using modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America. 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 Phone Service and Communication Board as a Whole

The Emergency Phone Service and Communication Board's Entity Presentation

This annual report includes all activities for which the Kendall County Emergency Phone Service and Communication Board is fiscally responsible. These activities are defined as the Kendall County Emergency Phone Service and Communication Board reporting entity.

Economic Factors Affecting KenCom's Operations

KenCom collects telephone surcharges through the State of Illinois. As of November 30, 2012 the State is approximately 90 days behind in its payments to KenCom. The delay in payment has not caused operational issues for KenCom in the current fiscal year, but continued delays could adversely affect KenCom's operations in the future.

KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD
Management's Discussion and Analysis (Unaudited)

For the Year Ended November 30, 2013

A FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE

Net Position--Modified Accrual Basis

The Board's combined net position, resulting from modified accrual basis transactions, with comparison to prior year are as follows:

	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
<u>Assets</u>			
Current and other assets	\$ 2,715,589	2,086,722	30%
Capital Assets	2,468,448	2,200,821	12%
Total assets	<u>\$ 5,184,037</u>	<u>4,287,543</u>	<u>21%</u>
<u>Liabilities</u>			
Current liabilities	\$ 42,619	988	4214%
Total liabilities	<u>42,619</u>	<u>988</u>	<u>0%</u>
<u>Net Position</u>			
Invested in capital assets, net of related debt	2,468,448	2,200,821	12%
Restricted	493,767	-	100%
Unrestricted	2,179,203	2,085,734	4%
Total net position	<u>\$ 5,141,418</u>	<u>4,286,555</u>	<u>20%</u>

KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD
Management's Discussion and Analysis (Unaudited)

For the Year Ended November 30, 2013

Changes in Net Position--Modified Accrual Basis

For the year ended November 30, 2013, the net position of the Emergency Telephone System Board (resulting from modified accrual basic transactions) changed as follows:

	Governmental Activities		Total
	2013	2012	Percentage Change 2012-2013
Revenues:			
General revenues			
Service fees	\$ 1,176,217	1,189,810	-1%
Kendall County	1,775,000	1,789,998	-1%
Investment income	325	6,664	-95%
Grant revenue	495,645	-	100%
Miscellaneous revenues	115	801	-86%
Total revenues	<u>3,447,302</u>	<u>2,987,273</u>	<u>15%</u>
Expenses:			
General government:			
Administrative expenses	<u>2,592,439</u>	<u>2,728,464</u>	<u>-5%</u>
Total expenses	<u>2,592,439</u>	<u>2,728,464</u>	<u>-5%</u>
Increase in net position	854,863	258,808	230%
Total net position-beginning	<u>4,286,555</u>	<u>4,027,747</u>	<u>6%</u>
Total net position-ending	<u>\$ 5,141,418</u>	<u>4,286,555</u>	<u>20%</u>

**KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD
Management's Discussion and Analysis (Unaudited)**

For the Year Ended November 30, 2013

Capital Assets--Modified Accrual Basis

At November 30, 2013, the Emergency Telephone System Board had \$2,468,448 invested in capital assets, net of depreciation. See notes for more information on assets.

**Governmental Activities Capital Assets--Modified Accrual Basis
(Net of accumulated depreciation)**

	Governmental Activities	
	2013	2012
Equipment, net	\$ 2,468,448	673,376
Construction in progress	-	1,527,445
Total capital assets, net of accumulated depreciation	<u>\$ 2,468,448</u>	<u>2,200,821</u>

Major capital additions for the year ended November 30, 2013 included the following:

Montgomery Tower Project	34,315
Console Furniture Project	2,455
Radio Project	433,516
9-1-1 Phone System & Recording Project	25,034

Depreciation for the year ended November 30, 2013: \$227,693

Long-Term Debt--Modified Accrual Basis

At November 30, 2013, the Emergency Telephone System Board had no long-term debt.

FINANCIAL STATEMENTS

Government-wide Statement of Net Position
November 30, 2013

	Governmental Activities	
	2013	2012
<u>Assets</u>		
Current assets		
Cash	\$ 2,636,156	1,936,722
Accounts receivable	79,433	150,000
Total current assets	<u>2,715,589</u>	<u>2,086,722</u>
Noncurrent assets		
Capital Assets		
Equipment	2,919,388	896,623
Construction in progress	-	1,527,445
Less: accumulated depreciation	<u>(450,940)</u>	<u>(223,247)</u>
Total noncurrent assets	<u>2,468,448</u>	<u>2,200,821</u>
Total assets	<u>\$ 5,184,037</u>	<u>4,287,543</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	\$ 42,619	988
Total current liabilities	<u>42,619</u>	<u>988</u>
Total liabilities	<u>42,619</u>	<u>988</u>
<u>Net Position</u>		
Invested in capital assets, net of related debt	2,468,448	2,200,821
Unrestricted	2,179,203	2,085,734
Restricted	<u>493,767</u>	<u>-</u>
Total net position	<u>\$ 5,141,418</u>	<u>4,286,555</u>

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

Statement of Activities
For the Year Ended November 30, 2013

Program Activities	Expenses	Program Revenues		Net (Expenses) Revenue And Changes in Net Assets	
		Fees and Charges for Services	Operating Grants and Contributions	2013	2012
Governmental Activities:					
Public safety	\$ 2,592,439	1,176,217	495,645	(920,577)	(1,538,654)
Total governmental activities	\$ 2,592,439	1,176,217	495,645	(920,577)	(1,538,654)
General revenues					
		Interest on investments		325	6,664
		Kendall County		1,775,000	1,789,998
		Miscellaneous		115	801
		Total revenues		1,775,440	1,797,463
		Change in net position		854,863	258,808
		Net position at beginning of year		4,286,555	4,027,747
		Net position at end of year		5,141,418	4,286,555

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

KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD

Statement C

Balance Sheet
Governmental Funds
November 30, 2013

	Major Funds				Totals	
	General - ETSB Fund	KenCom Operations Fund	Building Fund	Equipment Fund	2013	2012
<u>Assets</u>						
Cash in bank	\$ 697,583	193,155	625,000	1,120,418	2,636,156	1,936,722
Accounts receivable	79,433	-	-	-	79,433	150,000
Total assets	<u>\$ 777,016</u>	<u>193,155</u>	<u>625,000</u>	<u>1,120,418</u>	<u>2,715,589</u>	<u>2,086,722</u>
<u>Liabilities and Net Assets</u>						
Liabilities:						
Accounts payable	\$ 6,317	717	-	35,585	42,619	988
Total liabilities	<u>6,317</u>	<u>717</u>	<u>-</u>	<u>35,585</u>	<u>42,619</u>	<u>988</u>
Fund balances:						
Committed	-	-	625,000	591,066	1,216,066	1,258,204
Assigned	-	192,438	-	-	192,438	132,550
Restricted	-	-	-	493,767	493,767	-
Unassigned	770,699	-	-	-	770,699	694,980
Total fund balances	<u>770,699</u>	<u>192,438</u>	<u>625,000</u>	<u>1,084,833</u>	<u>2,672,970</u>	<u>2,085,734</u>
Total liabilities and fund balances	<u>\$ 777,016</u>	<u>193,155</u>	<u>625,000</u>	<u>1,120,418</u>	<u>2,715,589</u>	<u>2,086,722</u>

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

KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD

Statement C
Continued

Balance Sheet
Governmental Funds
November 30, 2013

	<u>2013</u>	<u>2012</u>
Reconciliation to Statement of Net Assets		
Fund Balances - total governmental funds	\$ 2,672,970	2,085,734
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds:		
Capital assets	2,919,388	2,424,068
Accumulated depreciation	<u>(450,940)</u>	<u>(223,247)</u>
Net position of governmental activities	<u>\$ 5,141,418</u>	<u>4,286,555</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended November 30, 2013

(With Comparative Figures from November 30, 2012)

	Major Funds				Totals	
	General - ETSB Fund	KenCorn Operations Fund	Building Fund	Equipment Fund	2013	2012
Revenues:						
Telephone surcharges	\$ 933,366	180	-	-	933,546	1,168,558
Agency contributions	-	242,671	-	-	242,671	21,252
Kendall County	-	1,775,000	-	-	1,775,000	1,789,998
Interest income	250	75	-	-	325	6,664
Grant revenue	-	1,878	-	493,767	495,645	-
Miscellaneous income	75	40	-	-	115	801
Total revenues	933,691	2,019,844	-	493,767	3,447,302	2,987,273
Expenses:						
Current:						
Salaries	-	1,434,427	-	-	1,434,427	1,309,032
Health insurance	-	211,933	-	-	211,933	180,543
Social Security & Medicare	-	242,443	-	-	242,443	230,888
Liability insurance	-	17,983	-	-	17,983	8,936
Reoccurring monthly expenses	83,687	239	-	-	83,926	70,961
Postage and printing	147	131	-	-	278	225
Audit	3,850	-	-	-	3,850	2,000
Repairs and maintenance	1,388	-	-	-	1,388	1,980
Supplies	-	1,425	-	-	1,425	2,075
Mileage	-	917	-	-	917	924
Dues & subscriptions	-	1,160	-	-	1,160	949
Equipment expense	2,463	4,749	-	-	7,212	3,630
Radio lines	-	25,480	-	-	25,480	25,000
Leads service charges	-	8,079	-	-	8,079	10,137
Alerts	-	2,076	-	-	2,076	4,152
Telephone	-	2,011	-	-	2,011	2,141
Legal expense	5,735	-	-	-	5,735	1,814
Computer supplies	-	-	-	-	-	1,445
Support - IT	6,080	-	-	-	6,080	6,438
Consultant fees	1,057	-	-	-	1,057	9,832
Training	527	2,894	-	-	3,421	5,655
Miscellaneous expense	4,024	414	-	-	4,438	375
Reverse 9-1-1	6,061	-	-	-	6,061	49,813
Animal maintenance	103,255	-	-	-	103,255	136,998
Unemployment Insurance	-	16,458	-	-	16,458	-
Contracted	-	7,180	-	-	7,180	-
Lease expense	-	-	100,000	-	100,000	25,000
Intergovernmental:						
Reimbursements	11,642	-	-	-	11,642	14,298
Capital expenditures	8,013	-	-	542,138	550,151	2,278,796
Total expenses	237,929	1,979,999	100,000	542,138	2,860,066	4,384,037
Change in fund balance	695,762	39,845	(100,000)	(48,371)	587,236	(1,396,764)
Other financing sources/(uses)						
Transfer in	-	20,043	100,000	500,000	620,043	792,000
Transfer out	(620,043)	-	-	-	(620,043)	(792,000)
Fund balance at beginning of year	694,980	132,550	625,000	633,204	2,085,734	3,482,498
Fund balance at end of year	\$ 770,699	192,438	625,000	1,084,833	2,672,970	2,085,734

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended November 30, 2013
(With Comparative Figures from November 30, 2012)

	2013	2012
Reconciliation to the Statement of Activities		
Net change in fund balances - total governmental funds	\$ 587,236	(1,396,764)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and is reported as depreciation expense. The change in fund balance must be increased by capital purchases and decreased by depreciation expense:		
Capital asset purchases (dispositions)	495,320	1,917,084
Depreciation expense	(227,693)	(261,511)
Change in net position of governmental activities	<u>\$ 854,863</u>	<u>258,808</u>

NOTES TO FINANCIAL STATEMENTS

KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD
Notes to Financial Statements

For the Year Ended November 30, 2013

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 KenCom'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

KenCom's financial reporting entity is composed of the following:

Governmental Unit: Kendall County Emergency Phone Service and Communications Board- In determining the financial reporting entity, KenCom 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. Effective January, 1, 2013, the Board obtained a federal employee identification number to operate as its own entity, Kendall County Emergency Phone Service and Communications Board, doing business as KenCom.

The Kendall County Emergency Phone Service and Communications 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. Basic Financial Statements – Government-wide Statements

KenCom's basic financial statements include both government-wide (reporting KenCom as a whole) and fund financial statements (reporting KenCom's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental.

In the Government-wide Statement of Net Position, the governmental activities are presented on a consolidated basis and 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. KenCom's net position is reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. KenCom first utilizes restricted resources to finance qualifying activities.

The Government-wide Statement of Activities reports both the gross and net cost of each of KenCom's functions. The functions are also supported by general government revenues (intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (Public Safety).

The net costs (by function) are normally covered by general revenues.

The Statement of Activities focuses on the sustainability of KenCom as an entity and the change in KenCom's net position resulting from the current year's activities.

KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD

Notes to Financial Statements

For the Year Ended November 30, 2013

Note 1: Summary of Significant Accounting Policies (continued)

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of KenCom are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that are comprised of its assets, liabilities, reserves, fund balances, revenues, and expenditures. The various funds are reported by generic classification within the financial statements. The emphasis in fund financial statements is on the major funds in the governmental activities categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

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

KenCom has elected to present all of its funds as major funds.

All of the funds used by KenCom are *Governmental Funds*.

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of KenCom:

- a. The General (ETSB) Fund is the general operating fund of the County and is always classified as a major fund. It is used to account for general financial resources except those required to be accounted for in another fund and surcharge income.
- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes. Major Special Revenue Funds identified are as follows:
 1. KenCom Operations Fund – this fund is used to account for agency contributions and salaries and other expenses related to the 911 Program Operations.
 2. Building Fund – This fund is used to account for activities related to the 911 Building.
 3. Equipment Fund – This fund is used to account for activities related to 911 equipment.

D. Measurement Focus and Basis of Accounting

Measurement Focus

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD
Notes to Financial Statements

For the Year Ended November 30, 2013

Note 1: Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting (continued)

In the Government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus.

In the fund financial statements, governmental activities are presented using the “current financial resources” measurement focus or the “economic resources” measurement focus.

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

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All of the funds are maintained during the year by KenCom using the cash basis of accounting. At the end of the year, the financial statements are converted to the modified accrual basis of accounting through the posting of journal entries.

1. Accrual:

The governmental activities in the government-wide financial statements are presented using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental fund financial statements are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

KenCom has reported three categories of program revenues in the statement of activities: (1) charges for services (2) program-specific operating grants and contributions, and (3) program-specific capital grants and contributions. Program revenues are derived directly from the program itself or from external sources; they reduce the net cost of each function to be financed from KenCom’s general revenues. For identifying the function to which grants and contributions pertain, the determining factor is the function to which the revenues are restricted. The determining factor for charges for services is the function that generates the revenue.

KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD
Notes to Financial Statements

For the Year Ended November 30, 2013

Note 1: Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, and Fund Balance

Cash and Cash Equivalents

KenCom considers all highly liquid investments available for current use to be cash equivalents.

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. Contributed assets are reported at fair market value as of the date received.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Machinery, furniture, and equipment	3-20 years
-------------------------------------	------------

Fund Balance Classification

In the Government-wide Financial Statements, Fund Balance is classified as net position 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 position – Consists of net position 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 position - All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is KenCom’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

F. Comparative Data

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in KenCom’s financial position and operations.

KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD
Notes to Financial Statements

For the Year Ended November 30, 2013

Note 1: Summary of Significant Accounting Policies (continued)

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2: Cash and Investments

Permitted Deposits and Investments – Statutes authorize KenCom to make deposits/investments 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, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Public Treasurer’s Investment Pool.

Interest Rate Risk - KenCom does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk is the risk that in the event of a bank failure, KenCom’s deposits may not be returned to it. KenCom’s custodial credit risk policy is included in a formal written investment and cash management plan.

KenCom’s deposits and certificates of deposits are required to be covered by federal depository insurance (FDIC) or by securities held by the pledging financial institution. The FDIC currently insures the first \$250,000 of KenCom’s deposits at each financial institution. Deposit balances over \$250,000 are collateralized with securities held by the pledging financial institution.

At November 30, 2013, the carrying amount of KenCom’s deposits was \$2,636,156 and the bank balance was \$2,639,477. The deposits are categorized in accordance with custodial credit risk factors created by governmental reporting standards as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category #1	\$ -	-
Category #2	2,193,000	2,193,614
Category #3	443,156	445,863
Totals	<u>\$ 2,636,156</u>	<u>2,639,477</u>

KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD
Notes to Financial Statements

For the Year Ended November 30, 2013

Note 2: Cash and Investments (continued)

Category #1	Uncollateralized deposits;
Category #2	Collateralized with securities held by the pledging financial institution in the Board's name;
Category #3	Collateralized with securities held by the pledging financial institution's trust department or agent but not in KenCom's name.

Note 3: Changes in Capital Assets

	Balance as of December 1, 2012	Additions	Deletions	Balance as of November 30, 2013
Governmental Activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 1,527,445	-	1,527,445	-
Total capital assets not being depreciated	<u>1,527,445</u>	<u>-</u>	<u>1,527,445</u>	<u>-</u>
Depreciable capital assets:				
Equipment	896,623	2,022,765	-	2,919,388
Total depreciable capital assets	<u>896,623</u>	<u>2,022,765</u>	<u>-</u>	<u>2,919,388</u>
Less - accumulated depreciation:				
Equipment	223,247	227,693	-	450,940
Total accumulated depreciation	<u>223,247</u>	<u>227,693</u>	<u>-</u>	<u>450,940</u>
Governmental activities capital assets, net	<u>\$ 2,200,821</u>	<u>1,795,072</u>	<u>1,527,445</u>	<u>2,468,448</u>

Total depreciation expense of \$227,693 is charged to the public safety function for the year ended November 30, 2013.

During the year ended November 30, 2013, the radio project, 911 phone and recording project, and console refurbish were completed.

Note 4: Expenditures in Excess of Appropriations

The KenCom Fund expenditures exceeded appropriation by \$98,344 as the result of salary increases related to the hiring of two new dispatchers. Building Fund expenditures exceeded appropriations by \$100,000, and Equipment Fund expenditures exceeded appropriations by \$542,138 in the current year, as budgets were not adopted for these two funds.

KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD
Notes to Financial Statements

For the Year Ended November 30, 2013

Note 5: KenCom Operations Fund – Intergovernmental Agreement

KenCom has entered into an intergovernmental agreement with Kendall County and various other municipalities to provide centralized dispatching services. Under the agreement, the County will pay \$1.775 million to KenCom each year. Municipalities who are party to the agreement will make annual 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.

Note 6: Leases

KenCom has a lease agreement for the basement of the Public Safety Center from Kendall County under which KenCom is to pay \$100,000 annually in quarterly installments of \$25,000. The lease is effective September 1, 2012 through August 1, 2022, and provides for the option of two ten-year extensions. Through the lease payments, KenCom will reimburse the County for costs incurred to construct the build-out of the Public Safety Center basement for emergency 911 purposes.

KenCom paid \$100,000 to Kendall County during the year ended November 30, 2013 under this lease agreement. Amounts payable for the remainder of the agreement are as follows:

<u>Year ending</u> <u>November 30,</u>	
2014	\$ 100,000
2015	100,000
2016	100,000
2017	100,000
2018	100,000
2019	100,000
2020	100,000
2021	100,000
2022	75,000

KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD

Notes to Financial Statements

For the Year Ended November 30, 2013

Note 7: Interfund Transactions

During the course of normal operations, KenCom has transactions between funds, including expenditures and transfers of resources primarily to provide services. The governmental funds reflect such transactions as transfers or reimbursements. Transfers between funds during the year ended November 30, 2013 were as follows:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General - 911 Board - Fund	\$ 620,043	-
KenCom Operations Fund	-	20,043
Building Fund	-	100,000
Equipment Fund	-	500,000
Total transfers	<u>\$ 620,043</u>	<u>620,043</u>

Transfers are often made between funds in order to cover operating expenses of funds that do not possess their own revenue sources or have not received sufficient revenue to cover expenses in the current fiscal year. In the current year, the General Fund transferred \$20,043 to the KenCom Operations Fund for management salaries, \$100,000 to the Building Fund for payment of lease expenses, and \$500,000 to the Equipment Fund for purchase of capital assets.

Note 8: Fund Balance – GASB 54 Presentation

According to Government Accounting Standards, fund balances are to be classified into five major classifications: Non-spendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. Below are definitions of the differences and a reconciliation of how these balances are reported.

A. Non-spendable Fund Balance

The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts.

B. Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. KenCom’s Equipment Fund has a restriction of \$493,767 related to a grant received from the Little Rock Fox Fire Protection District to be used on a radio expansion project. The grant was received in full during the current fiscal year but has not been expended.

KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD
Notes to Financial Statements

For the Year Ended November 30, 2013

Note 8: Fund Balance – GASB 54 Presentation (continued)

C. Committed Fund Balance

The committed fund balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the Emergency Phone Service and Communications Board). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

KenCom commits fund balance by making motions or passing resolutions to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The Building Fund balance has been committed for payment of the lease and related building expenses, and the Equipment Fund balance has been committed for purchases of capital equipment by the Board.

D. Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. Intent may be expressed by (a) the Board itself or (b) the finance committee when the Board has delegated the authority to assign amounts to be used for specific purposes. The KenCom Operations Fund balance has been assigned by the Board for payment of operating expenses related to emergency 911 services.

E. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Funds for amounts that have not been restricted, committed, or assigned to specific purposes within the General Funds.

REQUIRED SUPPLEMENTARY INFORMATION

**KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD
ETSB FUND**

Schedule A-1

**Balance Sheet
November 30, 2013**

<u>Assets</u>		
Cash in bank		\$ 697,583
Accounts receivable		<u>79,433</u>
Total assets		<u>\$ 777,016</u>
 <u>Liabilities & Fund Balance</u>		
Accounts payable		<u>\$ 6,317</u>
Total liabilities		6,317
Unassigned Fund Balance		<u>770,699</u>
Total liabilities and fund balance		<u>\$ 777,016</u>

**KENDALL COUNTY TELEPHONE SYSTEM BOARD
ETSB FUND**

Schedule A-2

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended November 30, 2013
(With Comparative Figures from November 30, 2012)**

	Original & Final Budget	Year Ended November 30,	
		2013	2012
Revenues			
Telephone surcharges	\$ 900,000	933,366	1,167,348
Miscellaneous income	-	75	-
Interest income	100	250	6,664
Total revenues	900,100	933,691	1,174,012
Expenditures			
Current:			
Telephone	100,000	83,687	70,961
Postage and printing	200	147	194
Audit	3,500	3,850	2,000
Repairs and maintenance	2,500	1,388	1,980
Equipment expense	-	2,463	-
Contingency	50,000	-	-
Legal expense	10,000	5,735	1,814
Computer supplies	-	-	1,445
Support - IT	20,000	6,080	6,438
Consultant fees	10,000	1,057	9,832
Training	8,000	527	483
Miscellaneous expense	5,000	4,024	375
Reverse 9-1-1	10,000	6,061	49,813
Annual maintenance	150,000	103,255	136,998
Intergovernmental:			
Will surcharge reimbursement	8,000	3,921	4,900
Kane surcharge reimbursement	14,500	7,721	9,398
Capital expenditures	-	8,013	-
Total expenditures	391,700	237,929	296,631
Excess of revenues over (under) expenditures	\$ 508,400	695,762	877,381
Other financing sources/(uses)			
Transfer to Building	(100,000)	(100,000)	(50,000)
Transfer to Equipment	(500,000)	(500,000)	(712,000)
Transfer to KenCom Operations	(20,043)	(20,043)	(30,000)
Fund balance, beginning of year		694,980	609,599
Fund balance, end of year		\$ 770,699	694,980

KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD
KENCOM OPERATIONS FUND

Schedule B-1

Balance Sheet
November 30, 2013

<u>Assets</u>		
Cash in bank		\$ 193,155
Total assets		<u>\$ 193,155</u>
<u>Liabilities and Fund Balance</u>		
Accounts payable		\$ 717
Total liabilities		717
Assigned fund balance		<u>192,438</u>
Total liabilities & fund balance		<u>\$ 193,155</u>

KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD
 KENCOM OPERATIONS FUND

Schedule B-2

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended November 30, 2013
 (With Comparative Figures from November 30, 2012)

	Original & Final Budget	Year Ended November 30,	
		2013	2012
Revenues			
District contributions	\$ 195,738	237,671	21,252
Fee for service - Caterpillar	5,000	5,000	-
Alarm monitoring	-	180	1,210
Federal reimbursement	-	1,878	-
Miscellaneous income	-	40	801
Interest	-	75	-
Kendall County contribution	1,775,000	1,775,000	1,789,998
Total revenues	1,975,738	2,019,844	1,813,261
Expenditures			
Current:			
Salary	1,293,171	1,374,140	1,261,896
Holiday pay	61,200	60,287	47,136
Health insurance	191,387	211,933	180,543
Social security/ medicare	265,028	242,443	230,888
Liability insurance	12,569	17,983	8,936
Supplies	3,000	1,425	2,075
Mileage	2,000	917	924
Postage	350	131	31
Books/subscriptions	200	-	-
Dues/subscriptions	1,500	1,160	949
Training conferences	2,000	2,894	715
Equipment maintenance	6,000	4,749	3,630
Printing/publications	750	232	-
Contracted	16,000	7,180	-
Unemployment insurance	-	16,458	-
Radio lines	-	25,480	25,000
Training	6,000	-	4,457
Leads service charges	12,000	8,079	10,137
Alerts	5,000	2,076	4,152
Employee screening	1,000	182	-
Telephone	2,500	2,011	2,141
Electric	-	144	-
Internet	-	95	-
Reserve fund	94,083	-	-
Total expenditures	1,975,738	1,979,999	1,783,610
Excess of revenues over (under) expenditures	-	39,845	29,651
Other financing sources (uses):			
Transfer from (to)	-	20,043	30,000
Net change in fund balance	\$ -	59,888	59,651
Fund balance, beginning of year		132,550	72,899
Fund balance, end of year		\$ 192,438	132,550

**KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD
BUILDING FUND**

Schedule C-1

**Balance Sheet
November 30, 2013**

<u>Assets</u>	
Cash in bank	<u>\$ 625,000</u>
Fund Balance	
Committed fund balance	<u>\$ 625,000</u>

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended November 30, 2013
(With Comparative Figures from November 30, 2012)**

Schedule C-2

	<u>Original & Final Budget</u>	<u>Year Ended November 30,</u>	
		<u>2013</u>	<u>2012</u>
Total revenues	\$ -	-	-
Expenditures			
Current:			
Lease payment	-	100,000	25,000
Total expenditures	-	100,000	25,000
Excess of revenues over (under) expenditures	-	(100,000)	(25,000)
Other financing sources/(uses)			
Transfer from 911 Fund	<u>\$ 100,000</u>	100,000	50,000
Fund balance, beginning of year		<u>625,000</u>	<u>600,000</u>
Fund balance, end of year		<u>\$ 625,000</u>	<u>625,000</u>

KENDALL COUNTY EMERGENCY PHONE SERVICE AND COMMUNICATIONS BOARD
EQUIPMENT FUND

Schedule D-1

Balance Sheet
November 30, 2013

<u>Assets</u>	
Cash in bank	\$ 1,120,418
<u>Liabilities & Fund Balance</u>	
Accounts payable	\$ 35,585
Total liabilities	35,585
Restricted fund balance	493,767
Committed fund balance	591,066
Total liabilities & fund balance	\$ 1,120,418

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended November 30, 2013
(With Comparative Figures from November 30, 2012)

Schedule D-2

	Original & Final Budget	Year Ended November 30,	
		2013	2012
Revenues:			
Radio grant	\$ -	493,767	-
Total revenues	-	493,767	-
Expenditures:			
Capital expenditures:			
Equipment expense	-	542,138	2,278,796
Total expenditures	-	542,138	2,278,796
Excess of revenues over (under) expenditures	-	(48,371)	(2,278,796)
Other financing sources/(uses)			
Transfers In	\$ 500,000	500,000	712,000
Fund balance, beginning of year		633,204	2,200,000
Fund balance, end of year		\$ 1,084,833	633,204



116 E. Washington Street
Suite One
Morris, Illinois 60450

Phone: (815) 942-3306
Fax: (815) 942-9430
www.mackcpas.com

TAWNYA R. MACK, CPA
LAURI POPE, CPA
ERICA L. BLUMBERG, CPA
MATT MELVIN
AMY TAYLOR
CHRIS CHRISTENSEN
STEPHANIE HEISNER

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

To The Board of Directors
Kendall County Emergency
Phone Service and Communication Board
Yorkville, Illinois

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kendall County Emergency Phone Service and Communication Board, Illinois as of and for the year ended November 30, 2013, and the related notes to the financial statements, which collectively comprise Kendall County Emergency Phone Service and Communication Board, Illinois' basic financial statements, and have issued our report thereon dated January 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Kendall County Emergency Phone Service and Communication Board, Illinois' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Kendall County Emergency Phone Service and Communication Board, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of the Kendall County Emergency Phone Service and Communication Board, Illinois' internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kendall County Emergency Phone Service and Communication Board, Illinois' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mack & Associates, P.C.

MACK & ASSOCIATES, P.C.
Certified Public Accountants

Morris, Illinois
January 10, 2014