



**WINNEBAGO COUNTY EMERGENCY
TELEPHONE SYSTEM BOARD
ROCKFORD, ILLINOIS**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended September 30, 2021

A large, abstract graphic at the bottom of the page features a grid of fine, light gray lines that create a sense of depth and perspective, resembling a city skyline or a complex data visualization.

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**WINNEBAGO COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
ROCKFORD, ILLINOIS
TABLE OF CONTENTS**

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1-2
GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS	
Management's Discussion and Analysis.....	MD&A 1-6
Basic Financial Statements	
Statement of Net Position	3
Statement of Activities.....	4
Governmental Funds	
Balance Sheet	5
Statement of Revenues, Expenditures and Changes in Fund Balances	6
Notes to Financial Statements.....	7-14
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund	15
Notes to Required Supplementary Information	16

1415 West Diehl Road, Suite 400
Naperville, IL 60563
630.566.8400

SIKICH.COM

INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman
Members of the Board
Winnebago County Emergency
Telephone System Board
Rockford, Illinois

We have audited the accompanying financial statements of the governmental activities and the major fund of the Winnebago County Emergency Telephone System Board (ETSB), Rockford, Illinois, as of and for the year ended September 30, 2021 and the related notes to financial statements which collectively comprise the ETSB's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the ETSB'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 ETSB'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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Winnebago County Emergency Telephone System Board, Rockford, Illinois, as of September 30, 2021 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and certain budgetary comparison information 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.

Sikich LLP

Naperville, Illinois
May 25, 2022

**GENERAL PURPOSE EXTERNAL
FINANCIAL STATEMENTS**

Management's Discussion and Analysis

As management of the Winnebago County Emergency Telephone System Board (ETSB), we offer readers of the Winnebago County ETSB's financial statements this narrative overview and analysis of the financial activities of the Winnebago County ETSB for the fiscal year ended September 30, 2021.

Financial Highlights

The assets of the Winnebago County ETSB exceeded its liabilities at the close of the fiscal year by \$7,091,597 (net position). Of this amount, \$5,462,668 in unrestricted net position may be used to meet the ETSB's ongoing obligations.

The ETSB's total net position decreased over the previous year by \$98,512. This was mainly attributable to a decrease in revenue from all sources of \$72,057 over the prior year and an increase in expenses of \$1,259,347. Expenses exceeded budget in the Supplies and Services object class by \$859,504.

As of the close of fiscal year 2021, the ETSB's governmental funds reported an ending fund balance of \$5,462,668, a decrease of \$825,800 in comparison to the prior year fund balance as adjusted. As stated above, there was a modest decrease in revenue offset by an increase in expenditures of governmental funds of \$759,137. The current unassigned fund balance of \$4,904,668 is 107% of the total general fund expenditures of \$4,575,601.

The Winnebago County ETSB has \$2,186,028 in outstanding debt at September 30, 2021.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Winnebago County ETSB. Those statements have six components: 1) a statement of net position; 2) a statement of activities; 3) a balance sheet; 4) statement of revenues, expenditures and changes in fund balance; 5) notes to the financial statements; 6) required supplementary information.

Government-wide financial statements. These are designed to provide readers with a broad overview of the Winnebago County ETSB's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Winnebago County ETSB's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of improvements or deterioration of the financial position of the ETSB.

The Statement of Activities presents information showing how the ETSB's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The financial statements highlight functions of the Winnebago County ETSB that are principally supported by the 911 surcharge revenue (governmental activities). The governmental activities of the ETSB provide for public safety through the operation and maintenance of the Winnebago County Emergency Telephone System Board. There are no business-type activities conducted by the ETSB.

The Winnebago County Emergency Telephone System Board is considered to be a special revenue fund of Winnebago County. The government-wide financial statements include only the Winnebago County Emergency Telephone System Board. There are no component units.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Winnebago County Emergency Telephone System Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds), and the acquisition or construction of capital assets (capital project funds). The funds of the Winnebago County Emergency Telephone System Board can be classified as governmental funds only. The General Fund is used to account for all of the ETSB's activities.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Winnebago County Emergency Telephone System Board maintains one governmental fund: the general fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances.

The Winnebago County Emergency Telephone System Board adopts an annual appropriation/budget for its general fund. A budgetary comparison statement has been provided for both funds to demonstrate compliance with these budgets.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the financial statements can be found beginning on page 7 of this report.

Other information. A statement of revenues, expenditures and changes in fund balance can be found on page 6, as well as a budget vs. actual comparison that can be found on page 15. Additional notes to the required supplementary information can be found on page 16.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an ETSB's financial position. In the case of the Winnebago County Emergency Telephone System Board, assets exceeded liabilities by \$7,091,597 at the close of fiscal year 2021.

A large portion of the ETSB net position, 37 percent, reflects its capital assets, with the balance being cash and investments and accounts receivables. The ETSB is responsible for providing vital public safety services that require periodic large expenditures to maintain its 911 dispatching system. In addition, the ETSB makes regular technological upgrades and funds the day-to-day operations of the County's E911 communications system.

WINNEBAGO COUNTY ETSB STATEMENT OF NET POSITION

	Governmental Activities 2021	Governmental Activities 2020 (as restated)
Current Assets	\$6,458,974	\$7,042,954
Capital Assets, restated	3,814,957	3,831,989
Total Assets, restated	\$10,273,931	\$10,874,943
Long-term Liabilities outstanding	\$2,186,028	\$2,930,348
Other Liabilities	996,306	754,486
Total Liabilities	3,182,334	3,684,834
Net Position:		
Net Investment in Capital Assets, restated	1,628,929	901,641
Unrestricted	5,462,668	6,288,468
Total Net Position	\$7,091,597	\$7,190,109

At the end of the current fiscal year, the ETSB is able to report positive balances in the net position category.

Governmental activities. Governmental activities decreased the ETSB net position by \$98,512. Key elements of the overall increase are as follows:

WINNEBAGO COUNTY ETSB CHANGES IN NET POSITION		
	Governmental Activities 2021	Governmental Activities 2020 (as restated)
General Revenues:		
Intergovernmental - 911 Surcharge	\$3,704,180	\$3,815,999
Other income	45,621	-
Total Revenues	<u>3,749,801</u>	<u>3,815,999</u>
Expenses:		
Public Safety	3,835,028	2,577,326
Interest	13,285	11,640
Total Expenses	<u>3,848,313</u>	<u>2,588,966</u>
Increase/Decrease in net position	(98,512)	1,227,033
Net position, October 1, restated	<u>7,190,109</u>	<u>5,963,076</u>
Net position, September 30,	\$7,091,597	\$7,190,109

Financial Analysis of the Government's Funds

As noted earlier, the Winnebago County ETSB uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the ETSB governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the ETSB's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the ETSB governmental funds reported combined ending fund balances of \$5,462,668, a decrease of \$825,800 in comparison with the previous fiscal year end.

The general fund is the primary operating fund of the ETSB. At the end of the current fiscal year, \$4,904,668 of the fund balance of the general fund was unassigned. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balances represent 107% of total general fund expenditures.

The elected County Treasurer makes investments of the ETSB's funds. The Treasurer's investment policy has as its first priority the security of the funds invested, followed by liquidity, and yield. The ETSB's funds were all fully collateralized as of the close of the fiscal year. This collateral is provided by depositories for the ETSB's deposits that exceed FDIC insurance. This collateral is held by a third-party custodial bank in the County's name.

Budgetary Highlights

Surcharge revenue exceeded the budget amount by 1.4% during fiscal year 2021. Overall, actual expenditures were 19% over budget due primarily to telephone expenses exceeding budget by \$1,243,380.

Capital Assets

Capital assets. The Winnebago ETSB investment in capital assets for its governmental activities as of September 30, 2021 totals \$3,814,957 (net of accumulated depreciation). This investment in capital assets includes buildings and machinery and equipment. There was a net decrease in capital assets of \$256,933 in the current fiscal year, due to depreciation. Additional information on the Winnebago County ETSB of capital assets can be found in note 3 of this report.

Winnebago County ETSB Capital Assets

	Governmental Activities 2021	Governmental Activities 2020 (as restated)
Machinery & Equipment (net of depreciation)	\$1,795,291	\$1,583,681
Intangible assets	2,019,666	2,248,308
Total	\$3,814,957	\$3,831,989

Economic Factors and Next Fiscal Year's Budgets

The ETSB is part of planned 911 call-handling system cooperative – the Northern Illinois Next Generation Alliance (NINGA) NG911 shared host/remote system. Although it was anticipated that implementation of the Next Generation 911 would have been completed in fiscal year 2021, unanticipated postponements throughout fiscal 2021 have delayed the project. It is anticipated, however, that completion of NG911 will occur by the end of 2022. Additionally, there are anticipated increases in the annual expenses for maintenance of the system/equipment related to NG911, but firm costs are not known at this time.

A comprehensive capital plan has been created to give the ETSB a comprehensive outlook on large capital items which proven very beneficial to determine the next year's budget preparation.

**WINNEBAGO COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
ROCKFORD, ILLINOIS**

STATEMENT OF NET POSITION

September 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 5,167,498
Receivables	
Accounts	1,291,476
Capital assets, net of accumulated depreciation	<u>3,814,957</u>
 Total assets	 <u>10,273,931</u>
LIABILITIES	
Accounts payable	996,306
Noncurrent liabilities	
Due within one year	765,712
Due in more than one year	<u>1,420,316</u>
 Total liabilities	 <u>3,182,334</u>
NET POSITION	
Investment in capital assets	1,628,929
Unrestricted	<u>5,462,668</u>
 TOTAL NET POSITION	 <u>\$ 7,091,597</u>

See accompanying notes to financial statements.

WINNEBAGO COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
ROCKFORD, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Change in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental	Activities
PRIMARY GOVERNMENT						
Governmental Activities						
Public safety	\$ 3,835,028	\$ -	\$ -	\$ -	\$ (3,835,028)	
Interest	13,285	-	-	-	(13,285)	
Total governmental activities	3,848,313	-	-	-	(3,848,313)	
TOTAL PRIMARY GOVERNMENT	\$ 3,848,313	\$ -	\$ -	\$ -	\$ (3,848,313)	
General Revenues						
Intergovernmental - 911 Surcharge					3,704,180	
Investment income					199	
Miscellaneous					39,563	
Gain on disposal of asset					5,859	
Total					<u>3,749,801</u>	
CHANGE IN NET POSITION						
NET POSITION, OCTOBER 1, 2020					10,780,809	
Prior period adjustment					<u>(3,590,700)</u>	
NET POSITION, OCTOBER 1, 2020, RESTATED					7,190,109	
NET POSITION, SEPTEMBER 30, 2021	\$	7,091,597				

See accompanying notes to financial statements.

WINNEBAGO COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
ROCKFORD, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2021

	General	Total Governmental Funds
ASSETS		
Cash	\$ 5,167,498	\$ 5,167,498
Receivables		
Accounts	<u>1,291,476</u>	<u>1,291,476</u>
TOTAL ASSETS	<u>\$ 6,458,974</u>	<u>\$ 6,458,974</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	<u>\$ 996,306</u>	<u>\$ 996,306</u>
Total liabilities	<u>996,306</u>	<u>996,306</u>
FUND BALANCES		
Assigned		
Subsequent year's budget	558,000	558,000
Unrestricted		
Unassigned	<u>4,904,668</u>	<u>4,904,668</u>
Total fund balances	<u>5,462,668</u>	<u>5,462,668</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,458,974</u>	
Reconciliation of fund balances of governmental funds to the governmental activities in the statement of net position		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	3,814,957	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Capital leases	(814,179)	
Long-term commitment	<u>(1,371,849)</u>	
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 7,091,597</u>	

See accompanying notes to financial statements.

**WINNEBAGO COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
ROCKFORD, ILLINOIS**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2021

	General	Total Governmental Funds
REVENUES		
Intergovernmental	\$ 3,704,180	\$ 3,704,180
Investment income	199	199
Miscellaneous	39,563	39,563
 Total revenues	 3,743,942	 3,743,942
EXPENDITURES		
Current		
Public safety	2,868,804	2,868,804
Capital outlay	949,192	949,192
Debt service		
Principal	744,320	744,320
Interest	13,285	13,285
 Total expenditures	 4,575,601	 4,575,601
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID	 (831,659)	 (831,659)
OTHER FINANCING SOURCES (USES)		
Proceeds from sale of asset	5,859	5,859
 Total other financing sources (uses)	 5,859	 5,859
NET CHANGE IN FUND BALANCES	 (825,800)	 (825,800)
FUND BALANCES, OCTOBER 1, 2020	 <u>6,288,468</u>	
FUND BALANCES, SEPTEMBER 30, 2021	 <u>\$ 5,462,668</u>	
Reconciliation of the governmental funds statement of revenues, expenditures and changes in fund balances to the governmental activities in the statement of activities		
Some expenses in the statement of activities do not require the uses of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Depreciation	(546,163)	
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities	529,131	
The repayment of the principal portion of long-term debt is reported as an expenditures when due in governmental funds but as a reduction of principal outstanding in the statement of activities	744,320	
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	 <u>\$ (98,512)</u>	

See accompanying notes to financial statements.

**WINNEBAGO COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
ROCKFORD, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Winnebago County Emergency Telephone System Board (the ETSB), Rockford, Illinois, have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the ETSB's accounting policies are described below.

a. Reporting Entity

The ETSB is governed by a Board of Trustees appointed by the Winnebago County Board (the County). The County approves the budgets, establishes the 911 fees and issues debt for the ETSB. Therefore, the County is financially accountable for the ETSB. Accordingly, the ETSB is considered to be a blended component unit of the County.

At September 30, 2021, the following governments were participating agencies of the ETSB:

Rockford Fire Department	Cherry Valley Fire Department
Rockford Police Department	Winnebago County Sheriff's Department
South Beloit Police Department	Loves Park Police Department
Harlem-Roscoe Fire Protection District	North Park Fire Protection District
Win-Bur-Sew Fire Protection District	

b. Fund Accounting

The accounts of the ETSB are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Funds are classified as governmental funds.

The General Fund is used to account for all general activities of the ETSB.

WINNEBAGO COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

ROCKFORD, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the ETSB.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the financial statements.

The ETSB reports the following major governmental fund:

The General Fund is the ETSB's primary operating fund. It accounts for all financial resources of the general government.

d. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. A 360-day availability period is used for revenue recognition for all governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Those revenues susceptible to accrual are 911 surcharge and wireless fees.

WINNEBAGO COUNTY EMERGENCY TELEPHONE SYSTEM BOARD**ROCKFORD, ILLINOIS****NOTES TO FINANCIAL STATEMENTS (Continued)****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****e. Cash**

The ETSB categorizes the fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The ETSB did not have any investments measured at fair value as of September 30, 2021.

f. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the ETSB as assets with an initial, individual cost in excess of \$12,000 and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Machinery and equipment	10
Intangible assets	10

g. Fund Balances/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either nonspendable in form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for a specific purpose, or externally imposed by outside entities. Committed fund balance is constrained by formal actions of the ETSB, which is considered the ETSB's highest level of decision-making authority.

WINNEBAGO COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

ROCKFORD, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Fund Balances/Net Position (Continued)

Formal actions include resolutions approved by the ETSB. Assigned fund balance represents amounts constrained by the ETSB's intent to use them for a specific purpose. The ETSB has the authority to assign fund balance and has not delegated this authority. Any residual fund balance of the General Fund is reported as unassigned.

The ETSB's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the ETSB considers committed funds to be expended first, followed by assigned and then unassigned funds.

In the government-wide financial statements, restricted net positions are legally restricted by outside parties for a specific purpose. Net investment in capital assets represents the ETSB's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset. None of the restricted fund balance or restricted net positions result from enabling legislation adopted by the ETSB.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

i. Postponement of Implementation of Certain Authoritative Guidance

In accordance with the provisions of GASB Statement No. 95, *Postponement of the Effect Dates of Certain Authoritative Guidance*, the ETSB has delayed the implementation of GASB Statement No. 87, *Leases*, to September 30, 2022.

2. DEPOSITS WITH FINANCIAL INSTITUTIONS

The deposits of the ETSB are held and maintained by the County Treasurer in accordance with the County's investment policy.

a. Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the long the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. The County does not have a policy regarding interest rate risk.

WINNEBAGO COUNTY EMERGENCY TELEPHONE SYSTEM BOARD**ROCKFORD, ILLINOIS****NOTES TO FINANCIAL STATEMENTS (Continued)****2. DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)****b. Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The County does not have a policy regarding credit risk.

c. Concentration of Credit Risk

Concentration of credit risk if the risk that the County may be heavily invested in one security or institution which would result in significant fluctuation in values. The County does not have a policy that addresses concentration of credit risk.

d. Custodial Credit Risk

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the ETSB's deposits may not be returned to it. To guard against custodial credit risk for deposits with financial institutions, the County's investment policy requires that deposits with financial institutions in excess of FDIC be collateralized with collateral in an amount of 110% of the amount of the deposit not covered by federal deposit insurance. Securities eligible to be pledged as collateral as U.S. Treasury and agency obligations, State of Illinois obligations, County of Winnebago obligations, obligations of municipalities located within the County (subject to acceptance by the Winnebago County Treasurer) and acceptable collateral as identified in the Illinois Compiled Statutes. All of the ETSB's deposits were covered by either FDIC or collateral at September 30, 2021.

3. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 was as follows:

	Balances October 1, as restated	Increases	Decreases	Balances September 30
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated				
Machinery and equipment	6,827,442	529,131	16,001	7,340,572
Intangible assets	2,286,415	-	-	2,286,415
Total capital assets being depreciated	9,113,857	529,131	16,001	9,626,987

WINNEBAGO COUNTY EMERGENCY TELEPHONE SYSTEM BOARD**ROCKFORD, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS (Continued)

3. CAPITAL ASSETS (Continued)

	Balances October 1, as restated	Increases	Decreases	Balances September 30
GOVERNMENTAL ACTIVITIES				
(Continued)				
Less accumulated depreciation for Machinery and equipment	\$ 5,243,761	\$ 317,521	\$ 16,001	\$ 5,545,281
Intangible assets	38,107	228,642	-	266,749
Total accumulated depreciation	<u>5,281,868</u>	<u>546,163</u>	<u>16,001</u>	<u>5,812,030</u>
Total capital assets being depreciated, net	<u>3,831,989</u>	<u>(17,032)</u>	<u>-</u>	<u>3,814,957</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET				
	<u>\$ 3,831,989</u>	<u>\$ (17,032)</u>	<u>\$ -</u>	<u>\$ 3,814,957</u>

The ETSB has recognized an intangible asset related to the right to use the computer aid design (CAD) and records management system (RMS) equipment and software purchased by the City of Rockford (the City). The equipment was received in fiscal year 2019 and put into service in fiscal year 2020.

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENTAL ACTIVITIES

Public safety	<u>\$ 546,163</u>
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4. LONG-TERM DEBT**a. Changes in Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended September 30, 2021:

	Balances October 1	Additions	Reductions	Balances September 30	Current Portion
GOVERNMENTAL ACTIVITIES					
Long-term commitment	\$ 1,829,132	\$ -	\$ 457,283	\$ 1,371,849	\$ 457,283
Capital lease obligations	<u>1,101,216</u>	<u>-</u>	<u>287,037</u>	<u>814,179</u>	<u>308,429</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ 2,930,348	\$ -	\$ 744,320	\$ 2,186,028	\$ 765,712

WINNEBAGO COUNTY EMERGENCY TELEPHONE SYSTEM BOARD**ROCKFORD, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM DEBT (Continued)

a. Changes in Long-Term Debt (Continued)

On November 19, 2018, the ETSB and the City agreed to purchase CAD and RMS to support the operations of the ETSB. The City, being the lead project manager, has financed the assets and the ETSB has agreed to pay it's project cost allocation upon invoice by the City. The initial term of the agreement is ten years with the CAD and RMS equipment being paid at \$457,283 over the first five years. There are three payments remaining as of September 30, 2021.

Debt service to maturity on the long-term commitment is as follows:

<u>Fiscal Year Ending</u>	
2022	\$ 457,283
2023	457,283
2024	<u>457,283</u>
 TOTAL	 <u>\$ 1,371,849</u>

b. Capital Lease

The ETSB has capital lease obligations, with total annual payments ranging from \$19,604 to \$197,212, at interest rates of 0% to 1.99%. Future minimum lease payments under the capital leases at September 30, 2021 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ 319,926
2023	122,714
2024	103,110
2025	103,110
2026	103,110
2027	<u>103,110</u>
 Total minimum lease payments	 855,080
 Amount representing interest	 <u>(40,901)</u>
 PRESENT VALUE OF MINIMUM LEASE PAYMENTS	 <u>\$ 814,179</u>

The cost of such equipment acquired through capital leases was \$1,498,984 with an accumulated depreciation of \$630,440 at September 30, 2021.

WINNEBAGO COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

ROCKFORD, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

5. RISK MANAGEMENT

The ETSB is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City and County, as owners of the assets, have purchased commercial insurance for general liability, property insurance and other risks fund from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage in the current fiscal year or the preceding fiscal year.

6. INTERGOVERNMENTAL AGREEMENT

The ETSB entered into an intergovernmental agreement with the City and the County as of October 24, 2019. This agreement details out the responsibilities and funding of the two primary Public Safety Answering Points (PSAP) for telephone calls made to the Winnebago County Emergency Telephone System.

The first priority of the fund is to pay the principal and interest on the bonds issued to fund the construction of the building to house the County PSAP, the renovation of the building housing the City PSAP and related 9-1-1 phone equipment for both sides. Thereafter, the cost of construction, improvements and the installation, operation and maintenance of the PSAP 9-1-1 telephone equipment shall have priority over any other costs which are eligible for reimbursement under the provision of Section 15.4 (c) of the Emergency Telephone System Act 50 ILCS 750/15.4 (c). Thereafter, the operational expenses of each PSAP directly related to 9-1-1 operations shall be satisfied from the surcharge funds. In the event that the ETSB determines that sufficient surcharge funds are available for personnel expenses, disbursements from the Fund will be made to the County or the City as follows: The County and the City are responsible for their respective personnel expenses with the following exceptions: 50% of the cost of the 9-1-1 Communications Manager at each PSAP shall be paid from the Surcharge Fund, the cost of the MSAG Coordinator shall be paid from the surcharge fund, the cost of the Training Supervisor shall be paid 50% by the Surcharge Fund for the purposes of 9-1-1 related training.

7. PRIOR PERIOD ADJUSTMENT

In 2021, the ETSB has recorded a prior period adjustment to remove a County owned building from their capital assets.

The beginning net position reported for the ETSB has been restated as follows:

	<u>Increase (Decrease)</u>
GOVERNMENTAL ACTIVITIES	
Prior period adjustment	<u></u>
Restatement - capital asset net of accumulated depreciation	<u>\$ (3,590,700)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ (3,590,700)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**WINNEBAGO COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
ROCKFORD, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
911 surcharge	\$ 3,562,000	\$ 3,562,000	\$ 3,610,919
State operating grants	-	-	93,261
Investment income	-	-	199
Miscellaneous	-	-	39,563
 Total revenues	 3,562,000	 3,562,000	 3,743,942
EXPENDITURES			
Supplies and services			
Telephone	515,100	515,100	1,758,480
Utilities	10,600	10,600	9,420
Training	20,000	20,000	16,800
Office supplies	15,000	15,000	21,221
Office expense			
Office furniture and equipment	20,000	20,000	6,283
Books, periodicals and manuals	1,000	1,000	-
Data processing supplies	5,000	5,000	5,268
Printing and binding	2,000	2,000	795
Advertising	300	300	74
Dues and memberships	1,800	1,800	426
Professional services	949,500	949,500	620,542
Repairs and maintenance	469,000	469,000	429,495
Capital outlay	589,000	1,079,000	949,192
Debt Service			
Principal	742,568	742,568	744,320
Interest	15,038	15,038	13,285
 Total expenditures	 3,355,906	 3,845,906	 4,575,601
 EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID	 206,094	 (283,906)	 (831,659)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of asset	-	-	5,859
 Total other financing sources (uses)	 -	 -	 5,859
 NET CHANGE IN FUND BALANCE	 \$ 206,094	 \$ (283,906)	 \$ (825,800)
 FUND BALANCE, OCTOBER 1, 2020			 6,288,468
 FUND BALANCE, SEPTEMBER 30, 2021			 \$ 5,462,668

(See independent auditor's report.)

**WINNEBAGO COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
ROCKFORD, ILLINOIS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2021

1. BUDGETARY INFORMATION

Budgets are prepared using the modified-accrual accounting basis which is consistent with GAAP. Formal budgets are established and approved by passage of the County's annual budget and appropriation ordinance.

Budgetary control over expenditures is established at the object class level, and each department is limited by the amount appropriated for each object classification. The object classifications used are: Supplies and Services, Debt Service and Capital Outlay.

Appropriations lapse 30 days after the end of the fiscal year. The expenditures incurred under these appropriations have been included in the fiscal year where the goods or services were received prior to the end of the fiscal year.

Budgeted revenues are based on estimates approved annually by the County Board. There was one budget transfer during the year.

2. EXCESS EXPENDITURES OVER BUDGET

The following object classes had expenditures in excess of budget for the year ended September 30, 2021:

Fund and Object	Budget	Expenditures	Excess
General - Supplies and Services	\$ 2,009,300	\$ 2,868,804	\$ (859,504)