# WINNEBAGO COUNTY EMERGENCY TELEPHONE SYSTEM BOARD ROCKFORD, ILLINOIS

AUDITOR'S COMMUNICATION TO THE
EMERGENCY TELEPHONE SYSTEM BOARD

**For the Year Ended September 30, 2018**

SIKICH.COM

**WINNEBAGO COUNTY EMERGENCY TELEPHONE SYSTEM BOARD**
**ROCKFORD, ILLINOIS**
**AUDITOR'S COMMUNICATION TO THE**
**EMERGENCY TELEPHONE SYSTEM BOARD**
TABLE OF CONTENTS


| | Page(s) |
|---|---|
| COVER LETTER | 1 |
| REQUIRED COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE | 2-4 |
| MANAGEMENT LETTER | 5-8 |
| FIRM PROFILE | |

SIKICH®

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS
*Members of American Institute of Certified Public Accountants*

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

SIKICH.COM

January 16, 2019

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

Ladies and Gentlemen:

As part of our audit process we are required to have certain communications with those charged with governance at the beginning of our audit process and at the conclusion of the audit. Those communications include information related to the planned scope and timing of our audit, as well as other information required by audit standards. Our communication at the beginning of our audit process along with our questionnaire regarding consideration of fraud in a financial statement audit was sent to you on October 12, 2018.

In addition, auditing standards require the communication of internal control related matters to those charged with governance. Our management letter, as well as a listing of future pronouncements that may affect the Winnebago County Emergency Telephone System Board (ETSB), are enclosed within this document.

This information is intended solely for the use of the ETSB and Management of the ETSB and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Sikich LLP*

Sikich LLP
By: Brian D. LeFevre, CPA, MBA
Partner

SIKICH®

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS
Members of American Institute of Certified Public Accountants

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

SIKICH.COM

January 16, 2019

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

We have audited the financial statements of the governmental activities and the major fund of the Winnebago County Emergency Telephone System Board (the ETSB), Rockford, Illinois, as of and for the year ended September 30, 2018, and have issued our report thereon dated January 16, 2019. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated September 27, 2018. Professional standards also require that we communicate to you the following information related to our audit.

**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the ETSB are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2018, except for the change in the ETSB's accounting policy for revenue recognition. We noted no transactions entered into by the ETSB during the year for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no particularly sensitive estimates made by management during our audit of the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We noted no particularly sensitive financial statement disclosures during our audit of the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

## Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, there were no misstatements as a result of our audit procedures.

## Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 16, 2019.

## Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the ETSB's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the ETSB's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

**Restriction on Use**

This information is intended solely for the use of the Winnebago County Emergency Telephone System Board and Management and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Sikich LLP

Sikich LLP
By: Brian D. LeFevre, CPA, MBA
Partner

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

MANAGEMENT LETTER

September 30, 2018

SIKICH®

SIKICH®

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS
*Members of American Institute of Certified Public Accountants*

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

SIKICH.COM

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

In planning and performing our audit of the of the governmental activities and the major fund that collectively comprise the basic financial statements of the Winnebago County Emergency Telephone System Board (the ETSB) Rockford, Illinois, as of and for the year ended September 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the ETSB's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ETSB's internal control. Accordingly, we do not express an opinion on the effectiveness of the ETSB's 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be considered material weaknesses. 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.

This communication is intended solely for the information and use of the Winnebago County Emergency Telephone System Board and Management. We are available to discuss any of these comments and to assist in their implementation if requested.

*Sikich LLP*

Rockford, Illinois
January 16, 2019

## DEFICIENCY

### Agreement with County of Winnebago and City of Rockford

We noted the ETSB, the County of Winnebago and City of Rockford entered into an intergovernmental agreement which outlines the expenses that are to be paid to the County of Winnebago and the City of Rockford from the ETSB Surcharge fund on a monthly basis. While the monthly transactions taking place are consistent with the agreement, we noted this agreement was only effective through December 31, 2017. Additionally, we noted the quarterly amounts to be paid to the County of Winnebago and the City of Rockford for staffing reimbursement and related annual increases are not specifically outlined in the agreement and the amount being reimbursed by the ETSB has not changed for several years.

We recommend the ETSB, County of Winnebago, and City of Rockford extend this agreement or enter into a new agreement. We recommend the ETSB, County of Winnebago, and City of Rockford outline the reimbursement to be made for staffing costs in this agreement.

## OTHER INFORMATION

### Future Accounting Pronouncements

The Governmental Accounting Standards Board has issued a number of pronouncements that may impact the ETSB in the future.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this standard are effective for the fiscal year ending September 30, 2019.

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The requirements of this standard are effective for the fiscal year ending September 30, 2019.

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for

## OTHER INFORMATION (Continued)

### Future Accounting Pronouncements (Continued)

lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for the fiscal year September 30, 2021.

GASB Statement No 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements, was issued in March 2018 and provides guidance on improving disclosures in the notes to the financial statements related to debt, including direct borrowings and direct placements of debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement is effective for the fiscal year ending September 30, 2019.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. This statement is effective for the fiscal year ending September 30, 2020.

GASB Statement No. 90, *Majority Equity Interests*, an amendment of GASB Statements No. 14 and No. 61, was issued in August 2018. The primary objectives of this Statement are to improve the consistency in the measurement and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement establishes that ownership of a majority equity interest in a legal separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. This statement is effective for the fiscal year ending September 30, 2019.

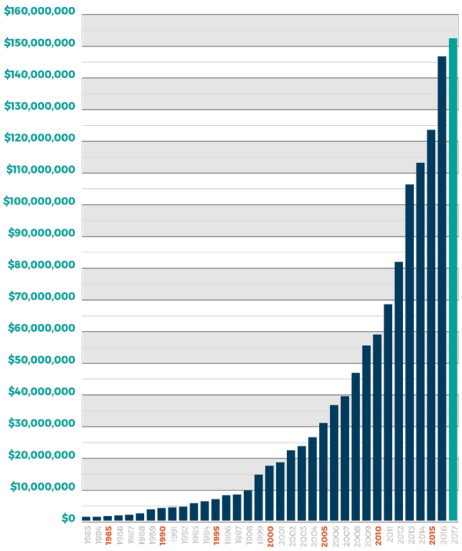
# FIRM PROFILE

SIKICH®

## ORGANIZATION

Sikich LLP, a leading professional services firm specializing in accounting, technology, investment banking* and advisory services**, has 750+ professionals throughout the country. Founded in 1982, Sikich now ranks as one of the country's Top 30 Certified Public Accounting firms and is among the top 1% of all enterprise resource planning solution partners in the world. From corporations and not-for-profits to state and local governments, Sikich clients can use a broad spectrum of services and products that help them reach long-term, strategic goals.

## SIKICH TOTAL REVENUES




## INDUSTRIES

Sikich provides services and solutions to a wide range of industries. We have devoted substantial resources to develop a significant base of expertise and experience in:

| | | |
|---|---|---|
| AGRICULTURE | ENERGY | MANUFACTURING & DISTRIBUTION |
| CONSTRUCTION & REAL ESTATE | GOVERNMENT | NOT-FOR-PROFIT |

## STATISTICS

**2017 Revenues** ..... $151.9M

**Total Partners** ..... ~100

**Total Personnel** ..... 750+

*Personnel count as of January 1, 2018*

## 2018 AWARDS

- Oracle® NetSuite **5 Star Award**
- *Accounting Today* Top 100 Firms - ranked #28 nationally
- Best Places to Work in Illinois
- Best Places to Work in Indiana
- Milwaukee's Best and Brightest Companies to Work For®
- Chicago's Best and Brightest Companies to Work For®
- Microsoft Dynamics Inner Circle
- Boston's Best and Brightest Companies to Work For®
- Bob Scott's Top 100 Value Added Reseller Stars (VARs) - ranked #8

## SERVICES

### ACCOUNTING, TAX & ASSURANCE

### TECHNOLOGY

- Business Application
- Cloud & Infrastructure
- Consulting & Implementation
- Security and Compliance

### ADVISORY

- Business Succession Planning
- Insurance Services
- Forensic and Valuation Services
- Human Resources Consulting
- Investment Banking
- Marketing & Design
- Public Relations
- Retirement Plan Services
- Supply Chain
- Wealth Management

## 2017 AWARDS

- Bob Scott's Top 100 (VARs) - ranked #7
- *Accounting Today* Top 100 VARs - ranked #6
- Vault Accounting Top Ranked
- When Work Works Award
- WorldatWork Work-Life Seal of Distinction
- Microsoft Dynamics Inner Circle and President's Club
- Best Places to Work in Illinois
- Milwaukee's 101 Best and Brightest Companies to Work For®
- Best Places to Work in Indiana
- Chicago's 101 Best and Brightest Companies to Work For®
- *Milwaukee Journal Sentinel* Top Workplaces in Milwaukee
- *Chicago Tribune's* Top Workplaces
- *Crain's List* Chicago's Largest Privately Held Companies - ranked #234
- Boston's 101 Best and Brightest Companies to Work For®
- National Best and Brightest in Wellness
- National Best and Brightest Companies to Work For

## 2016 AWARDS

- *Accounting Today* Top Regional Leaders and Firms: Great Lakes - ranked #4
- *Milwaukee Business Journal* Largest Management Consulting Firms - ranked #10
- *Milwaukee Business Journal* Largest Milwaukee-Area Accounting Firms - ranked #8
- *Inc. 5000* - ranked #4613
- *INSIDE Public Accounting* Top 50 Largest Accounting Firms - ranked #31 nationally
- Milwaukee's 101 Best and Brightest Companies to Work For®
- WICPA Excellence Award - Public Service Award
- *Accounting Today* Top 100 VARs - ranked #7
- Bob Scott's Top 100 VARs - ranked #7
- Boston's 101 Best and Brightest Companies to Work For®
- US Small and Mid-Sized Business (SMB) Champions Club Heartland Partner of the Year, Microsoft's US SMB Champions Club
- *Milwaukee Journal Sentinel* Top Workplaces in Milwaukee

** Securities offered through Sikich Corporate Finance LLC, member FINRA/SIPC.*

*** Investment advisory services offered through Sikich Financial, an SEC Registered Investment Advisor. Securities offered through Triad Advisors, member FINRA and SIPC. Triad Advisors and Sikich Financial are not affiliated.*

©2018 Sikich LLP. All Rights Reserved.

877.279.1900 | info@sikich.com SIKICH.COM

## CERTIFICATIONS

All professional accounting staff with more than one year of experience have earned or are working toward earning the Certified Public Accountant designation. Sikich is a member of the American Institute of Certified Public Accountants' Governmental Audit Quality Center and the Employee Benefit Plan Audit Quality Center. We adhere to the strict requirements of membership which assure we meet the highest standards of audit quality. In 2017 Sikich LLP received its 10th consecutive unmodified ("pass") peer review report, the highest level of recognition conferred upon a public accounting firm for its quality control systems.

## MICROSOFT PARTNER

Sikich has earned a Microsoft ERP Gold competency; ranked among the top one percent of all Microsoft Dynamics partners worldwide; and carries the following certifications:

Gold
Microsoft Partner
Microsoft

2018/2019
INNER CIRCLE
*for Microsoft Dynamics*

- **Microsoft Small Business Specialist**
- **MCP** (Microsoft Certified Professional)
- **MCSE** (Microsoft Certified System Engineer)
- **CCNA** (Cisco Certified Network Associate)
- **CCDA** (Certified Cisco Design Associate)
- **CCEA** (Citrix Certified Enterprise Administrator)
- **MRMS** (Microsoft Retail Management Systems)
- **CISA** (Certified Information Systems Auditor)
- **CNE** (Certified Novell Engineer)
- **MS CSM** (Microsoft Customer Service Manager)
- **MS CAE** (Microsoft Certified Account Executive)
- **MCDBA** (Microsoft Certified Database Admin)
- **Certified for Microsoft Dynamics** (NAV)

# SIKICH IS PROUD TO BE PART OF:

## THE LEADING EDGE ALLIANCE

The Leading Edge Alliance (LEA) is the second largest international association of independent accounting firms.* The LEA is an international professional association of independently-owned accounting and consulting firms. Members are top quality firms who share an entrepreneurial spirit and a drive to be the premier provider of professional services in their chosen markets. The Alliance provides Sikich with an unbeatable combination: the comprehensive size and scope of a large multinational company while offering their clients the continuity, consistency, and quality service of a local firm.

**International Accounting Bulletin, 2011*

LEA global
leading edge alliance
innovation • quality • excellence

## PRIMEGLOBAL

PrimeGlobal is one of the top five largest associations of independent accounting firms in the world, providing a wide range of tools and resources to help member firms furnish superior accounting, auditing, and management services to clients around the globe.

PrimeGlobal

## LOCATIONS

| | | | |
|---|---|---|---|
| **Akron, OH**<br>(330) 864-6661 | **Decatur, IL**<br>(217) 423-6000 | **Kansas City, MO**<br>(816) 673-7534 | **Phoenix, AZ**<br>(480) 626-0072 |
| **Boston, MA**<br>(508) 485-5588 | **Denver, CO**<br>(720) 200-0142 | **Milwaukee, WI**<br>(262) 754-9400 | **Rockford, IL**<br>(815) 282-6565 |
| **Chicago, IL**<br>(312) 648-6666 | **Ft. Wayne, IN**<br>(260) 485-0665 | **Minneapolis, MN**<br>(763) 445-2632 | **Springfield, IL**<br>(217) 793-3363 |
| **Columbus, OH**<br>(614) 633-5270 | **Indianapolis, IN**<br>(317) 842-4466 | **Naperville, IL**<br>(630) 566-8400 | **St. Louis, MO**<br>(314) 275-7277 |

©2018 Sikich LLP. All Rights Reserved.