

**KENDALL COUNTY
PUBLIC BUILDING COMMISSION
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
OCTOBER 31, 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

COUNTY OF KENDALL, ILLINOIS

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COUNTY OF KENDALL, ILLINOIS

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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
CHRIS CHRISTENSEN
STEPHANIE HEISNER

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Kendall County Public Building Commission
Yorkville, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kendall County Public Building Commission, Illinois, as of and for the year ended October 31, 2013, and the related notes to the financial statements, which collectively comprise the Kendall County Public Building Commission'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, the business-type activities, each major fund, and the aggregate remaining fund information of the Kendall County Public Building Commission, Illinois, as of October 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof 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 27-31 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kendall County Public Building Commission, Illinois' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013, on our consideration of the Kendall County Public Building Commission, 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 Public Building Commission, Illinois' internal control over financial reporting and compliance.

Mack & Associates, P.C.

Mack & Associates, P.C.
Certified Public Accountants

Morris, Illinois
November 21, 2013

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

KENDALL COUNTY PUBLIC BUILDING COMMISSION

Management's Discussion and Analysis (Unaudited) For the Year Ended October 31, 2013

Our discussion and analysis of the Kendall County Public Building Commission's (Commission) financial performance provides an overview of the Commission's financial activities for the fiscal year ended October 31, 2013, within the limitations of the Commission's modified accrual basis of accounting. Please read it in conjunction with the Kendall County Public Building Commission's financial statements that begin on page 8.

FINANCIAL HIGHLIGHTS

- The Commission's Governmental Activities total revenues were greater than total expenditures, on the modified accrual basis of accounting, by \$11,112, for the year ended October 31, 2013.
- The Commission's Governmental Net Assets decreased \$38,523 from \$1,259,887 in 2012 to \$1,221,364 in 2013. The Commission's Business-type Net Assets decreased \$877,919 from \$21,532,118 in 2012 to \$20,654,199 in 2013. Project expenses are rising as the notes payable come to an end. The rent payments received from Kendall County are lower as the note payments come due.
- The Commission's governmental funds and business-type funds ended the year with balances of \$635,495 and \$159,053 respectively.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Commission'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 three kinds of statements that present different views of the Public Building Commission:

- The Statement of Net Assets and Statement of Activities provide information on government-wide statements and are presented using the modified accrual basis method of accounting. The statements present an aggregated view of the Public Building Commission.
- The focus of government and proprietary fund financial statements is on major funds. Combining columns are used for internal service funds because they are exempt from the major fund reporting requirements. However, all funds are presented in the combining statements.
- The remaining statements are Fund Financial Statements that focus on individual parts of the Public Building Commission, reporting more detailed statements than the government-wide statements. The fund statements are presented on an accrual basis of accounting, the method the Commission uses for internal accounting.

KENDALL COUNTY PUBLIC BUILDING COMMISSION

Management's Discussion and Analysis (Unaudited) For the Year Ended October 31, 2013

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 represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the Commission-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Basis of Accounting

The government-wide financial statements have elected to report information about the Commission using the modified accrual basis of accounting. The basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues and expenses and related assets and liabilities. Using the accrual basis of accounting, transactions are recorded when they occur rather than from cash transactions. Depreciation expense on capital assets is reported in the government wide and proprietary statements.

Reporting Kendall County Public Building Commission as a Whole

The Public Building Commission's Entity Presentation

This annual report includes all activities for which the Commission is fiscally responsible. These activities are defined as the Commission's reporting entity.

The Government-wide Statement of Net Assets and the Statement of Activities

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

KENDALL COUNTY PUBLIC BUILDING COMMISSION

Management's Discussion and Analysis (Unaudited) For the Year Ended October 31, 2013

In the Statement of Net Assets and the Statement of Activities, the Commission consists of two kinds of activities:

- Governmental activities—The Administration Fund and Surplus Fund make up the Commission's governmental activities. These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and administrative expenditures.
- Business-type activities—The Courthouse Fund makes up the Commission's business-type activities. The Commission charges rent to help it cover all or most of the cost of certain services it provides. The Commission's rental income is reported in this fund.

The Fund Financial Statements

The fund financial statements provide more detailed information about the Commission's funds, focusing on its most significant or "major" funds – not the Commission as a whole. Funds are accounting devices the Commission 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. The Commission can establish other funds to control and manage monies for particular purposes or to show that it is properly using certain revenues. The Commission's two kinds of funds—*governmental and proprietary*—use different accounting approaches.

- Governmental funds—focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash.
- Proprietary funds—When the Commission charges customers for the services it provides—whether to outside customers or to other units of the County—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Commission's enterprise funds (a component of proprietary funds) are business-type funds. We provide more detail and additional information, such as cash flows, for proprietary funds. We use revenue funds (the other component of proprietary funds) to report activities that provide supplies and services for the Commission's other programs and activities.

KENDALL COUNTY PUBLIC BUILDING COMMISSION

Management's Discussion and Analysis (Unaudited)
For the Year Ended October 31, 2013

Changes in Net Assets--Modified Accrual Basis

For the year ended October 31, 2013, net assets of the Public Building Commission (resulting from modified accrual basis transactions) changed as follows:

	Governmental Activities		Business-type Activities		Totals		Total Percentage Change 2012-2013
	2013	2012	2013	2012	2013	2012	
Revenues							
Program revenues							
Fees and charges for services	\$ -	-	-	-	-	-	N/A
General revenues							
Investment income	537	1,067	213	114	750	1,181	-36.49%
Rental income	-	-	180,000	2,867,000	180,000	2,867,000	-93.72%
Miscellaneous	50	-	-	-	50	-	N/A
Total revenues	587	1,067	180,213	2,867,114	180,800	2,868,181	-93.70%
Expenses							
General government							
Professional services	3,475	21,409	-	-	3,475	21,409	-83.77%
Debt service	-	-	27,563	129,625	27,563	129,625	-78.74%
Unallocated depreciation	49,635	49,635	1,016,569	1,256,591	1,066,204	1,306,226	-18.38%
Total expenses	53,110	71,044	1,044,132	1,386,216	1,097,242	1,457,260	-24.71%
Excess (deficiency) before transfers	(52,523)	(69,977)	(863,919)	1,480,898	(916,442)	1,410,921	-164.95%
Transfers	14,000	56,625	(14,000)	(56,625)	-	-	N/A
Increase in net assets	(38,523)	(13,352)	(877,919)	1,424,273	(916,442)	1,410,921	-164.95%
Net assets, beginning of year	1,259,887	1,273,239	21,532,118	20,107,845	22,792,005	21,381,084	6.60%
Net assets, end of year	1,221,364	1,259,887	20,654,199	21,532,118	21,875,563	22,792,005	-4.02%

KENDALL COUNTY PUBLIC BUILDING COMMISSION

Management's Discussion and Analysis (Unaudited)
October 31, 2013

Net Assets--Modified Accrual Basis

The Commission's combined net assets, resulting from modified accrual basis transactions, are shown with comparable figures from 2012.

	Governmental Activities		Business-type Activities		Totals		Totals Percentage Change
	2013	2012	2013	2012	2013	2012	2012-2013
<u>Assets</u>							
Current and other assets	\$ 635,495	624,383	166,970	2,811,132	802,465	3,435,515	-76.64%
Capital assets							
Land	-	-	2,690,000	2,690,000	2,690,000	2,690,000	0.00%
Buildings	-	-	31,080,145	31,080,145	31,080,145	31,080,145	0.00%
Building improvements	719,445	719,445	-	-	719,445	719,445	0.00%
Equipment	113,810	113,810	1,264,038	1,264,038	1,377,848	1,377,848	0.00%
Accumulated depreciation	(247,386)	(197,751)	(14,064,037)	(13,047,468)	(14,311,423)	(13,245,219)	8.05%
Total assets	1,221,364	1,259,887	21,137,116	24,797,847	22,358,480	26,057,734	-14.20%
<u>Liabilities</u>							
Current liabilities	-	-	7,917	50,729	7,917	50,729	-84.39%
Due in one year	-	-	150,000	2,740,000	150,000	2,740,000	-94.53%
Due in more than one year	-	-	325,000	475,000	325,000	475,000	-31.58%
Total liabilities	-	-	482,917	3,265,729	482,917	3,265,729	-85.21%
<u>Net assets</u>							
Invested in capital							
Assets, net of related debt	585,869	635,504	20,495,146	18,771,715	21,081,015	19,407,219	8.62%
Restricted	635,495	624,383	159,053	2,760,403	794,548	3,384,786	-76.53%
Total net assets	\$ 1,221,364	1,259,887	20,654,199	21,532,118	21,875,563	22,792,005	-4.02%

FINANCIAL STATEMENTS

KENDALL COUNTY PUBLIC BUILDING COMMISSION

Statement A

Government-wide Financial Statement- Statement of Net Assets
 October 31, 2013

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	
			2013	2012
<u>Assets</u>				
Cash	\$ 635,495	166,970	802,465	3,435,515
Capital assets				
Land	-	2,690,000	2,690,000	2,690,000
Buildings	-	31,080,145	31,080,145	31,080,145
Building improvements	719,445	-	719,445	719,445
Equipment	113,810	1,264,038	1,377,848	1,377,848
Accumulated depreciation	(247,386)	(14,064,037)	(14,311,423)	(13,245,219)
Total assets	\$ 1,221,364	21,137,116	22,358,480	26,057,734
<u>Liabilities</u>				
Accrued interest payable	\$ -	7,917	7,917	50,729
Due in one year	-	150,000	150,000	2,740,000
Due in more than one year	-	325,000	325,000	475,000
Total liabilities	-	482,917	482,917	3,265,729
<u>Net Assets</u>				
Invested in capital assets, net of related debt	585,869	20,495,146	21,081,015	19,407,219
Restricted				
Authorized expenditures	635,495	-	635,495	624,383
Restricted accounts	-	159,053	159,053	2,760,403
Total net assets	\$ 1,221,364	20,654,199	21,875,563	22,792,005

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

Government-wide Financial Statement- Statement of Activities
For the Year Ended October 31, 2013

Program Activities	Expenses	Program Revenues			Net (Expenses) Revenue And Changes in Net Assets		2013	2012
		Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities		
Governmental activities:								
General government	\$ 3,475	-	-	-	(3,475)	-	(3,475)	(21,409)
Unallocated depreciation	49,635	-	-	-	(49,635)	-	(49,635)	(49,635)
Total governmental activities	53,110	-	-	-	(53,110)	-	(53,110)	(71,044)
Business-type activities:								
Debt service	27,563	-	-	-	-	(27,563)	(27,563)	(129,625)
Unallocated depreciation	1,016,569	-	-	-	-	(1,016,569)	(1,016,569)	(1,256,591)
Total business-type activities	1,044,132	-	-	-	-	(1,044,132)	(1,044,132)	(1,386,216)
Total primary government	\$ 1,097,242	-	-	-	(53,110)	(1,044,132)	(1,097,242)	(1,457,260)
General revenues								
Interest on investments					537	213	750	1,181
Rental Income					-	180,000	180,000	2,867,000
Miscellaneous					50	-	50	-
Transfers (to) from					14,000	(14,000)	-	-
Total general revenues					14,587	166,213	180,800	2,868,181
Change in net assets					(38,523)	(877,919)	(916,442)	1,410,921
Net assets at beginning of year					1,259,887	21,532,118	22,792,005	21,381,084
Net assets at end of year					<u>\$ 1,221,364</u>	<u>20,654,199</u>	<u>21,875,563</u>	<u>22,792,005</u>

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

KENDALL COUNTY PUBLIC BUILDING COMMISSION

Statement C

Balance Sheet - Governmental Funds
 October 31, 2013

	Administration Fund	Surplus Fund	Total 2013	Total 2012
<u>Assets</u>				
Cash	\$ 301,385	334,110	635,495	624,383
Total assets	<u>\$ 301,385</u>	<u>334,110</u>	<u>635,495</u>	<u>624,383</u>
<u>Liabilities and Fund Balances</u>				
Liabilities	\$ -	-	-	-
Fund balances:				
Restricted for authorized expenditures	301,385	334,110	635,495	624,383
Total fund balances	<u>301,385</u>	<u>334,110</u>	<u>635,495</u>	<u>624,383</u>
Total liabilities and fund balances	<u>\$ 301,385</u>	<u>334,110</u>		

Reconciliation to Statement of Net Assets:

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities of \$833,255, net of accumulated depreciation of \$247,386 are not financial resources and, therefore, are not reported in the funds.	585,869	635,504
Net assets of governmental activities	<u>\$ 1,221,364</u>	<u>1,259,887</u>

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

KENDALL COUNTY PUBLIC BUILDING COMMISSION

Statement D

Statement of Revenues, Expenditures, and Changes in Fund Balances-
Governmental Funds
For the Fiscal Year Ended October 31, 2013

	Administration Fund	Surplus Fund	Total 2013	2012
Revenues:				
Investment Income	\$ 217	320	537	1,067
Rental Income	-	-	-	-
Miscellaneous	50	-	50	-
Total revenues	267	320	587	1,067
Expenditures:				
Current				
Administrative expenditures	-	515	515	535
Project costs	-	-	-	17,334
Audit expenditures	-	2,950	2,950	2,900
Repairs	-	-	-	-
Reimbursement	-	-	-	640
Miscellaneous	-	10	10	-
Capital outlay	-	-	-	292,090
Total expenditures	-	3,475	3,475	313,499
Excess (deficiency) of revenues over expenditures	267	(3,155)	(2,888)	(312,432)
Other financing sources (uses):				
Transfers out	(3,475)	-	(3,475)	(29,776)
Transfers in	-	17,475	17,475	86,401
Total other financing sources (uses)	(3,475)	17,475	14,000	56,625
Net change in fund balances	(3,208)	14,320	11,112	(255,807)
Fund balances - beginning	304,593	319,790	624,383	880,190
Fund balances - ending	\$ 301,385	334,110	635,495	624,383

Reconciliation to the Statement of Activities:

Net change in fund balances - total governmental funds \$ 11,112 (255,807)

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 reported as depreciation expense. The change in fund balance must be increased by capital purchases and decreased by depreciation expense.

Capital asset purchases capitalized	-	292,090
Depreciation	(49,635)	(49,635)
Change in net assets of governmental activities (Statement B)	\$ (38,523)	(13,352)

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

Balance Sheet - Proprietary Funds
October 31, 2013

	Total	
	2013	2012
<u>Assets</u>		
Cash	\$ 166,970	2,811,132
Capital Assets:		
Land	2,690,000	2,690,000
Buildings	31,080,145	31,080,145
Equipment	1,264,038	1,264,038
Accumulated depreciation	(14,064,037)	(13,047,468)
Total assets	<u>\$ 21,137,116</u>	<u>24,797,847</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accrued interest payable	\$ 7,917	50,729
Due in one year	150,000	2,740,000
Due in more than one year	325,000	475,000
Total liabilities	<u>482,917</u>	<u>3,265,729</u>
Net assets:		
Invested in capital assets, net of related debt	20,495,146	18,771,715
Reserved for restricted accounts	159,053	2,760,403
Total net assets	<u>\$ 20,654,199</u>	<u>21,532,118</u>

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

KENDALL COUNTY PUBLIC BUILDING COMMISSION

Statement of Revenues, Expenses, and Changes in Fund Net Assets-
 Proprietary Funds
 For the Year Ended October 31, 2013

	Business-Type activities	
	2013	2012
Operating revenues		
Rental income	\$ 180,000	2,867,000
Total operating revenues	180,000	2,867,000
Operating expenses		
Depreciation	1,016,569	1,256,591
Total operating expenses	1,016,569	1,256,591
Operating income (loss)	(836,569)	1,610,409
Non-operating revenue (expense):		
Investment income	213	114
Interest	(27,563)	(129,625)
Total non-operating revenues (expenses)	(27,350)	(129,511)
Other financing sources (uses):		
Transfers in	-	-
Transfers (out)	(14,000)	(56,625)
Total other financing sources (uses)	(14,000)	(56,625)
Net income	(877,919)	1,424,273
Net assets - beginning	21,532,118	20,107,845
Net assets - ending	\$ 20,654,199	21,532,118

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

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended October 31, 2013

	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 180,000
Net cash provided by operating activities	180,000
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating subsidies and transfers to other funds	(14,000)
Net cash (used) from noncapital financing activities	(14,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(2,740,000)
Interest paid on capital debt	(70,375)
Net cash (used) by capital and related financing activities	(2,810,375)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	213
Net cash provided by investing activities	213
Net (decrease) in cash and cash equivalents	(2,644,162)
Balances--beginning of the year	2,811,132
Balances--end of the year	\$ 166,970
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	(836,569)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	1,016,569
Net cash provided by operating activities	\$ 180,000

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

NOTES TO FINANCIAL STATEMENTS

KENDALL COUNTY PUBLIC BUILDING COMMISSION

Notes to Financial Statements

For the Year Ended October 31, 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 accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the Commission's financial statements Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified accrual basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

(a) Authorizing Legislation

The Kendall County Public Building Commission is a municipal corporation and a body corporate and politic of the State of Illinois, in accordance with the provisions of the "Public Building Commission Act", (the "Act") approved July 5, 1965, as amended. Under the Act, the Commission is authorized to borrow money from time to time, and in evidence thereof, to issue and sell its revenue bonds to provide funds for its financial expenses. Bonds issued by the Commission are declared by the Act to be negotiable instruments and are payable solely from the income and revenue derived from the operation, management or use of buildings acquired with the proceeds thereof, including payments received through leases or other contracts. The bonds do not constitute an indebtedness of the Commission within the meaning of any constitutional or statutory limitation as to debt; nor, as provided in the Act, are the bonds payable from any other source and the owners of the bonds shall have no claim against the property of the Commission for the payment thereof. No other entities are appropriate for inclusion in the financial statements of the Commission.

The Kendall County Public Building Commission was created by a resolution of Kendall County adopted by the Kendall County Board (the "County Board") on May 10, 1988 as a multi-purpose Commission, to provide for the financing to acquire the site, construct, and equip a new jail facility to be leased by the County. The Commission's five Commissioners are appointed for staggered terms by the County Board Chairman with the consent of the County Board. Subsequent Commissioners will also be appointed by the County Board Chairman with the consent of the County Board. The Commission is a component unit of Kendall County.

The Commission is organized as a multi-purpose Commission with the authority to issue bonds or notes to finance the acquisition and construction of public building facilities for the County.

(b) Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds.

KENDALL COUNTY PUBLIC BUILDING COMMISSION

Notes to Financial Statements For the Year Ended October 31, 2013

Note 1: Summary of Significant Accounting Policies (continued)

(b) Basis of Presentation (continued)

These statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Activities - are used to account for financial resources to be used for the acquisition or construction of major capital facilities under permanently financed projects and administrative expenditures. There were two major governmental activities funds during the current fiscal year.

- Administrative Fund - accounts for general operations of the Commission
- Surplus Fund - accounts for project costs related to the Commission

Business-Type Activities - are used to account for lease payments from lessees and to pay for principal and interest. The major business-type activity during the current fiscal year was the Courthouse Fund. This fund is used to account for bond principal and interest payments, expenditures related to bond issuance, and rental income.

Measurement Focus

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

KENDALL COUNTY PUBLIC BUILDING COMMISSION

Notes to Financial Statements

For the Year Ended October 31, 2013

Note 1: Summary of Significant Accounting Policies (continued)

(b) *Basis of Presentation (continued)*

In the fund financial statements, the governmental activities are presented using the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the accrual basis of accounting.

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net asset (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

(c) *Basis of Accounting*

The Government-wide Statement of Net Assets and Statement of Activities are presented using a modified accrual basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they occur and not when they result from cash transactions. Depreciation is reported in the government-wide statements.

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

Government-wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

KENDALL COUNTY PUBLIC BUILDING COMMISSION

Notes to Financial Statements For the Year Ended October 31, 2013

Note 1: Summary of Significant Accounting Policies (continued)

(c) Basis of Accounting (continued):

Buildings	27.5 years
Building Improvements	20 years
Machinery, furniture, and equipment	10 – 15 years

(d) Capital Assets

Fund Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

(e) Long-term Debt

All long-term debt arising from accrual basis transactions to be repaid from governmental resources is reported as liabilities in the government-wide statements.

(f) Equity Classification

Government-wide Statements

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

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets—All other net assets that do not meet the definitions of “restricted” or “invested in capital assets, net of related debt.”

KENDALL COUNTY PUBLIC BUILDING COMMISSION

Notes to Financial Statements For the Year Ended October 31, 2013

Note 1: Summary of Significant Accounting Policies (continued)

(g) Capitalized Lease Receivables

Leases receivable, discounted at the effective interest rate of the bond issue, is reflected as an asset in the respective Revenue Fund. The portion of the lease receivable attributable to administrative, operations and maintenance expenses, renewal and replacement and other period charges is not capitalized as a lease receivable. The outstanding revenue bonds are reflected as a liability in the Revenue Fund of the respective bond series.

(h) Project Cost

Included in construction cost are all costs incurred by the Commission in constructing, acquiring or enlarging public improvements, buildings and facilities. Also included is a pro rata share of any expenses incurred by the Commission which are reasonably necessary or incident to the placing of these projects in operation. The accumulated construction costs represent assets of the lessee.

(i) Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Commission's financial position and operations. However, presentation of prior year totals by fund type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

(j) Total Column on Combined Statements – Overview

The total column on the combined balance sheet is only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have been made in the aggregation of this data.

Note 2: Cash and Cash Equivalents

For reporting purposes, this includes bank accounts, and all short-term investments such as certificates of deposit, governmental money market funds and repurchase agreements. All amounts are stated at cost, which approximates market.

At October 31, 2013, the carrying amount of the Commission's cash and cash equivalents was \$802,476 and the bank balance was \$802,486. The entire amount was fully insured or collateralized with securities held by an agent in the Commission's name and stated at cost, which approximates market. The deposits are categorized in accordance with risk factors created by governmental reporting standards.

KENDALL COUNTY PUBLIC BUILDING COMMISSION

Notes to Financial Statements
For the Year Ended October 31, 2013

Note 2: Cash and Cash Equivalents (continued)

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category #1	\$ -	-
Category #2	552,476	552,486
Category #3	250,000	250,000
Totals	<u>\$ 802,476</u>	<u>802,486</u>

Category #1 Uncollateralized;

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

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

Note 3: Long-Term Obligations

The Commission's long-term debt arising from cash transactions is segregated between the amounts to be repaid from the governmental activities and amounts to be repaid from business-type activities.

Series 2006B bonds were issued in February of 2006 for \$6.895 million and currently have an outstanding balance of \$475,000 as of October 31, 2013.

Governmental Activities

As of October 31, 2013, there was no long-term debt arising from cash transactions in governmental funds.

Business-Type Activities

The Commission issued Revenue Bonds in accordance with the provisions of the Public Building Commission Act of the State of Illinois, approved July 5, 1955, as amended. The proceeds of the bonds are to be used to finance projects of the Commission.

KENDALL COUNTY PUBLIC BUILDING COMMISSION

Notes to Financial Statements
For the Year Ended October 31, 2013

Note 3: Long-Term Obligations (continued)

The bonds payable during the fiscal year is as follows:

	<u>Bonds Payable October 31, 2012</u>	<u>Issued</u>	<u>Redeemed/ Refunded</u>	<u>Bonds Payable October 31, 2013</u>	<u>Due within one year</u>
Revenue Bonds:					
Series 2006B	\$ 3,215,000	-	(2,740,000)	475,000	150,000
Total	<u>\$ 3,215,000</u>	<u>-</u>	<u>(2,740,000)</u>	<u>475,000</u>	<u>150,000</u>

(A) Public Building Revenue Bond Series 2006B

All income and revenue derived from the operation of the project including rent paid pursuant to the lease agreement shall be deposited as collected to the Revenue Fund, irrevocably pledged to the payment of the bonds. Such revenues of the Revenue Fund, as required by the bond resolution, are segregated and restricted in separate special accounts in the following order of priority:

(1) Administrative Account:

\$5,000 per year of the annual lease payments shall be deposited to this account to pay administrative expenses of the Commission relating to the project and the bonds.

(2) Sinking Fund Account:

A portion of the annual rental payments shall be deposited to this account to the extent needed to increase the aggregate amount in this account equal to the sum of all interest and principal to become due and payable on the bonds, on or prior to the next June 1. Moneys in the Sinking Fund Account shall be used for payment of the principal and interest on the bonds as they shall become due and payable.

(3) Surplus Account:

This account includes the portion of the annual rental payments remaining after making the foregoing deposits. Moneys in the surplus fund can only be used in accordance with the following order of priority.

- (a) Cure deficiencies in future payments to the Sinking Fund Account;
- (b) Increase the amount held in the Administrative Account to the sum required to pay the annual administrative expenses;
- (c) Pay costs and expenses related to the completion, reconstruction, renovation, expansion or improvement of the Project;
- (d) Pay costs and expenses related to any other project of the Commission; and

KENDALL COUNTY PUBLIC BUILDING COMMISSION

Notes to Financial Statements
For the Year Ended October 31, 2013

Note 3: Long-Term Obligations (continued)

(A) Public Building Revenue Bond Series 2006B (continued)

(e) Retire bonds.

Bond Details:

The bonds are dated February 23, 2007 at a per annum interest rate range of 3.625% to 3.750%, interest is payable June 1, 2008 and semi-annually thereafter on the first day of June and December of each year. Principal for the bonds is payable on December 1, 2008. Bonds mature annually on December 1.

Schedule of Maturities:

Year Ended October 31,	Principal Due	Interest Due
2014	150,000	16,000
2015	160,000	9,800
2016	165,000	3,300
Total	<u>\$ 475,000</u>	<u>29,100</u>

Paying Agent: Amalgamated Bank of Chicago, Chicago, Illinois

The bonds are limited obligations of the Commission and are payable solely from, and secured by a pledge of, any income and revenue derived by the Commission from the project including all lease rental payments required to be paid by the County as lessee of the project under and pursuant to a lease agreement, dated as of February 23, 2007, by and between the Commission and the County which payments have been assigned and pledged by the Commission as security for the payment of the bonds. Such pledge is subject to the provisions of the resolution permitting a pledge of additional rent to secure additional revenue bonds of the Commission.

KENDALL COUNTY PUBLIC BUILDING COMMISSION

**Notes to Financial Statements
For the Year Ended October 31, 2013**

Note 4: Board of Commissioners

The prior year members of the Kendall County Public Building Commission and their terms of office are:

<u>Commissioner</u>	<u>Expiration of Term</u>
Nancy Martin	2014
Jessie Hafenrichter	2015
John Purcell	2016
Jeff Wehrli	2017
John Shaw	2018

Note 5: Lease Agreements

On February 23, 2007 a lease between the Commission and the County of Kendall was adopted. The County, in return for the construction projects, pays the following annual rental payments on or before the due date:

2006B Bonds:

<u>Due Date</u>	<u>Amount</u>
November 1, 2014	183,000
2015	180,000

Note 6: Interfund Transfers

During the current fiscal year, the Commission made the following transfers:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
Surplus Fund	\$ 14,000	-
Administration Fund		3,475
Surplus Fund	3,475	
Proprietary Fund:		
Revenue Fund	-	14,000
Total Transfers	<u>\$ 17,475</u>	<u>17,475</u>

All transfers were permanent transfers for the following reasons:

- To the Surplus Fund from both the Administration Fund and Proprietary Fund to cover projects/capital expenses.

KENDALL COUNTY PUBLIC BUILDING COMMISSION

Notes to Financial Statements
For the Year Ended October 31, 2013

Note 7: Change in Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Depreciable Capital Assets:				
Building Improvements	\$ 722,085	-	-	722,085
Equipment	111,170	-	-	111,170
Total Depreciable Capital Assets	\$ 833,255	-	-	833,255
Accumulated Depreciation:				
Building Improvements	(154,485)	(38,518)	-	(193,003)
Equipment	(43,266)	(11,117)	-	(54,383)
Total Accumulated Depreciation	(197,751)	(49,635)	-	(247,386)
Net Capital Assets, Governmental	\$ 635,504	(49,635)	-	585,869
Business-Type Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 2,690,000	-	-	2,690,000
Depreciable Capital Assets:				
Equipment	1,264,038	-	-	1,264,038
Building	31,080,145	-	-	31,080,145
Total Capital Assets	35,034,183	-	-	35,034,183
Accumulated Depreciation:				
Equipment	(1,252,816)	(2,245)	-	(1,255,061)
Building	(11,794,652)	(1,014,324)	-	(12,808,976)
Total Accumulated Depreciation	(13,047,468)	(1,016,569)	-	(14,064,037)
Net Capital Assets, Business-type	\$ 21,986,715	(1,016,569)	-	20,970,146

Depreciation for governmental and business-type activities is unallocated.

KENDALL COUNTY PUBLIC BUILDING COMMISSION

Notes to Financial Statements
For the Year Ended October 31, 2013

Note 8: Fund Balance – GASB 54 Presentation

	<u>Administration Fund</u>	<u>Surplus Fund</u>	<u>Total Fund Balance</u>
Restricted For: Capital Projects	\$ 301,385	334,110	635,495
Total Fund Balances	<u>\$ 301,385</u>	<u>334,110</u>	<u>635,495</u>

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 and 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. All items are expensed at the time of purchase, so there is nothing to report for this classification.

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. The Commission has several balances within different funds that also fall into these categories:

1. Administration Fund

Cash receipts and the related cash disbursements of this fund are restricted for project costs and administrative purposes related to the completion of the project(s) described in Note 1.

2. Surplus Fund

Cash disbursed and the related cash receipts of this fund are restricted for capital projects and related expenditures.

KENDALL COUNTY PUBLIC BUILDING COMMISSION

Notes to Financial Statements

For the Year Ended October 31, 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 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.

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.

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 PUBLIC BUILDING COMMISSION
ADMINISTRATION FUND**

**Balance Sheet
October 31, 2013**

Assets	
Cash in bank	\$ 110,887
Investments, at cost	190,498
	<u>\$ 301,385</u>
Fund Balance	
Fund balances - reserved for authorized expenditures:	
Public safety	\$ 138,110
Courthouse	163,275
	<u>\$ 301,385</u>

Schedule A-2

**Statement of Revenues, Expenditures, and Changes In Fund Balance
For the Year Ended October 31, 2013
(With Comparative Figures from 2012)**

	Year Ended October 31,	
	2013	2012
Revenues:		
Interest on investments	\$ 217	769
Miscellaneous	50	-
Total revenues	<u>267</u>	<u>769</u>
Expenditures:		
Project costs	-	-
Administrative expenditure	-	-
Total expenditures	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>267</u>	<u>769</u>
Other financing sources (uses):		
Transfer to other funds	(3,475)	(29,776)
Transfer from other funds	-	-
Total other financing sources (uses)	<u>(3,475)</u>	<u>(29,776)</u>
Net change in fund balance	(3,208)	(29,007)
Fund balance, beginning of year	<u>304,593</u>	<u>333,600</u>
Fund balance, end of year	<u>\$ 301,385</u>	<u>304,593</u>

**KENDALL COUNTY PUBLIC BUILDING COMMISSION
SURPLUS FUND**

**Balance Sheet
October 31, 2013**

Assets	
Investments, at cost	\$ 334,110
Fund Balance	
Fund balances - reserved for authorized expenditures: Courthouse	\$ 334,110

Schedule A-4

**Statement of Revenues, Expenditures, and Changes In Fund Balance
For the Year Ended October 31, 2013
(With Comparative Figures from 2012)**

	Year Ended October 31,	
	2013	2012
Revenues:		
Interest on investments	\$ 320	298
Rental income	-	-
Miscellaneous income	-	-
Total revenues	320	298
Expenditures:		
Project costs	-	17,334
Audit costs	2,950	2,900
Bond administration cost	515	535
Secretary	-	640
Repairs	-	-
Capital outlay	-	292,090
Miscellaneous	10	-
Total expenditures	3,475	313,499
Excess of revenues over (under) expenditures	(3,155)	(313,201)
Other financing sources (uses):		
Transfer (to) from other funds	17,475	86,401
Total other financing sources (uses)	17,475	86,401
Net change in fund balance	14,320	(226,800)
Fund balance, beginning of year	319,790	546,590
Fund balance, end of year	\$ 334,110	319,790

OTHER SUPPLEMENTAL INFORMATION

Combining Balance Sheet - Proprietary Fund Types
 October 31, 2013

	Courthouse Revenue Funds Totals	
	2013	2012
<u>Assets</u>		
Cash and cash equivalents	166,970	2,811,132
Capitalized leases receivable	475,000	3,215,000
Total assets	641,970	6,026,132
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Revenue bonds payable	475,000	3,215,000
Accrued interest payable	7,917	50,729
Total liabilities	482,917	3,265,729
Fund balance	159,053	2,760,403
Total liabilities and fund balance	641,970	6,026,132

COUNTY OF KENDALL PUBLIC BUILDING COMMISSION

Combining Statement of Revenues, Expenditures, and Changes
in Retained Earnings - Proprietary Fund Types
For the Year Ended October 31, 2013

	Courthouse Revenue Funds Totals	
	2013	2012
Revenues -		
Rental income	\$ 180,000	2,867,000
Interest on investments	213	114
Total revenues	180,213	2,867,114
Expenditures -		
Debt service:		
Principal-2006B issue	2,740,000	2,520,000
Interest-2006B issue	27,563	129,625
Total expenses	2,767,563	2,649,625
Excess of revenues over (under) expenditures	(2,587,350)	217,489
Other financing sources (uses):		
Transfer to other funds	(14,000)	(56,625)
Transfer from other funds	-	-
Total other financing sources (uses)	(14,000)	(56,625)
Net change in fund balance	(2,601,350)	160,864
Fund balance, beginning of year	2,760,403	2,599,539
Fund balance, end of year	\$ 159,053	2,760,403

Assessed Valuations

Tax year - 2002	\$ 1,386,673,491
Tax year - 2003	\$ 1,598,750,693
Tax year - 2004	\$ 1,821,907,832
Tax year - 2005	\$ 2,132,577,040
Tax year - 2006	\$ 2,565,091,749
Tax year - 2007	\$ 3,044,564,911
Tax year - 2008	\$ 3,277,539,459
Tax year - 2009	\$ 3,369,658,049
Tax year - 2010	\$ 3,172,454,510
Tax year - 2011	\$ 2,917,287,004
Tax year - 2012	\$ 2,917,980,684

Schedule 2

**Legal Debt Margin
For the Year Ended October 31, 2013**

Assessed valuation - 2012 tax year	\$ 2,917,980,684
Statutory debt limitation (5.0% of assessed valuation)	\$ 145,899,034
Total outstanding debt:	
Public Building Commission Revenues	
Bonds, Series 2006B	475,000
Total debt	475,000
Legal debt margin	\$ 145,424,034



CERTIFIED PUBLIC ACCOUNTANTS

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
CHRIS CHRISTENSEN
STEPHANIE HEISNER

INDEPENDENT AUDITOR'S 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 Commissioners
Kendall County Public Building Commission
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, the business-type activities, each major fund, and the aggregate remaining fund information of the Kendall County Public Building Commission, Illinois, as of and for the year ended October 31, 2013, and the related notes to the financial statements, which collectively comprise the Kendall County Public Building Commission, Illinois' basic financial statements, and have issued our report thereon dated November 21, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Kendall County Public Building Commission, 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 Public Building Commission, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of the Kendall County Public Building Commission, 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 Public Building Commission, 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
November 21, 2013