

LASALLE COUNTY
EMERGENCY TELEPHONE SYSTEM BOARD
OTTAWA, ILLINOIS
FINANCIAL REPORT
PERIOD ENDED JUNE 30, 2017

Prepared by:



CERTIFIED PUBLIC ACCOUNTANTS

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LASALLE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
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For the Period Ended June 30, 2017

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INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

To the Board of Directors
LaSalle County Emergency
Telephone System Board
Ottawa, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the LaSalle County Emergency Telephone System Board as of and for the period ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the LaSalle County Emergency Telephone System Board as of June 30, 2017, and the respective changes in financial position for the period 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 on pages 3–6 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.

Comparative Data

We previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the LaSalle County Emergency Telephone System Board for the year ended November 30, 2016, which are presented for comparison purposes with the accompanying financial statements. In our report dated March 16, 2017, we express an unqualified opinion on the respective financial statements of the business-type activities.

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

Morris, Illinois
March 6, 2018

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

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

For the Period Ended June 30, 2017

Our discussion and analysis of the LaSalle County Emergency Telephone System Board's financial performance provides an overview of the Board's financial activities for the period ended June 30, 2017. Please read it in conjunction with the LaSalle County Emergency Telephone System Board's financial statements that begin on page 7. As of June 30, 2017, the ETSB Board ended its operations and transferred all assets to the LaSalle County JETS Board.

FINANCIAL HIGHLIGHTS

- The LaSalle County Emergency Telephone System Board expenditures exceeded total revenues by \$107,714 for the period ending June 30, 2017. The LaSalle County Emergency Telephone System Board also transferred its net position of \$1,072,330 as of June 30, 2017, to the LaSalle County JETS Board.

USING THIS REPORT

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

Report Components

This report consists of two parts: management's discussion and analysis (this section) and the basic financial statements (government-wide and fund statements) including notes to the financial statements.

The basic financial statements include:

- The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position and Statement of Cash Flows that represent the overall financial statements. They provide information on business-type activities and are shown on the accrual basis of accounting. These statements present an aggregated view of the Emergency Telephone Systems Board.

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

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

Basis of Accounting

The Board has elected to report the financial statements using the accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues and expenses. Under the accrual basis of accounting, revenues and expenses (along with related assets and liabilities) are recorded when they are earned or incurred rather than from cash transactions. Depreciation expense on capital assets is reported in the financial statements.

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

For the Period Ended June 30, 2017

Reporting the LaSalle County Emergency Telephone Board as a Whole

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

The Statements of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position

The Statement of Net Position includes all the Board's net position and how it has changed. The difference between the Board's assets and liabilities provides a way to measure the Board's overall financial position. This statement includes 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 and decreases in the Board's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

In the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position, the Board has only business-type activities. The Board charges fees to help it cover all or most of the cost of certain services it provides, and all fee income and expenses are reported in this statement.

FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE

Net Position-Accrual Basis

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

	Business-Type Activities		Total Percentage Change
	2017	2016	
Assets			
Current and other assets	\$ -	836,275	-100%
Capital assets	\$ -	402,419	-100%
Total assets	\$ -	1,238,694	-100%
Liabilities			
Accounts payable	\$ -	58,650	-100%
Total liabilities	\$ -	58,650	-100%
Net Position			
Net investment in capital assets	\$ -	402,419	-100%
Unrestricted	\$ -	836,275	-100%
Total net position	\$ -	1,238,694	-100%

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

For the Period Ended June 30, 2017

Changes in Net Position-Accrual Basis

For the period ended June 30, 2017, the net position of the LaSalle County Emergency Telephone System Board (resulting from accrual basis transactions) changed as follows:

	Business-Type Activities		Total Percentage Change 2016-2017
	June 30, 2017	November 30, 2016	
Revenues:			
General revenues:			
Service fees	\$ 57,126	393,747	-85%
Other income	20	25	-20%
Investment income	2,532	6,174	-59%
Total revenues	<u>59,678</u>	<u>399,946</u>	<u>-164%</u>
Expenses:			
General government:			
Administrative expenses	<u>167,392</u>	<u>350,946</u>	<u>-52%</u>
Total expenses	<u>167,392</u>	<u>350,946</u>	<u>-52%</u>
Change in net position	(107,714)	49,000	-320%
Other financing sources (uses):			
Transfer to LaSalle County JETS	<u>(1,072,330)</u>	<u>-</u>	<u>100%</u>
Change in net position	<u>(1,180,044)</u>	<u>49,000</u>	<u>-2508%</u>
Total net position - beginning	<u>1,180,044</u>	<u>1,131,044</u>	<u>4%</u>
Total net position - ending	<u>\$ -</u>	<u>1,180,044</u>	<u>-100%</u>

Capital Assets – Accrual Basis

At June 30, 2017, the LaSalle County Emergency Telephone System Board had \$0 invested in capital assets, net of accumulated depreciation. See Note 3 for more information on capital assets.

	Business-Type Activities	
	2017	2016
Equipment, net	\$ -	402,419
Total capital assets, net of accumulated depreciation	\$ -	402,419

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

For the Period Ended June 30, 2017

Capital Assets – Accrual Basis (Continued)

Total depreciation expense for the year ended June 30, 2017 was \$88,995.

FACTORS LIKELY TO HAVE A POTENTIAL IMPACT ON FINANCIAL POSITION

During 2017, the LaSalle County ETSB decertified its individual ETSB and has become a member of a newly formed LaSalle County Joint Emergency Telephone System Board (JETS). The LaSalle County JETS Board operates a total of three Public Service Answering Points (PSAPs), one at Ottawa Police Department, one at LaSalle County Sheriff, and one at the Peru Police Department.

The LaSalle County Sheriff PSAP remains open and services the rural areas of the County, along with the smaller communities in the County.

The LaSalle County ETSB transferred all of its net position to the LaSalle County JETS Board and ended operations as of June 30, 2017.

BASIC FINANCIAL STATEMENTS

LASALLE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

Statement A

Statement of Net Position**June 30, 2017****(With Comparative Figures for November 30, 2016)**

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current assets:		
Cash in bank	\$ -	209,096
Certificates of deposit	-	510,607
Accrued interest receivable	-	5,850
Accounts receivable	-	110,722
Total current assets	-	<u>836,275</u>
Noncurrent assets:		
Capital assets		
Equipment	-	1,299,052
Less: accumulated depreciation	-	(896,633)
Net capital assets	-	<u>402,419</u>
Total assets	<u>\$ -</u>	<u>1,238,694</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	\$ -	58,650
Total liabilities	<u>\$ -</u>	<u>58,650</u>
<u>Net Position</u>		
Net investment in capital assets	-	402,419
Unrestricted	-	777,625
Total net position	<u>\$ -</u>	<u>1,180,044</u>

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

LASALLE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

Statement B

Statement of Revenues, Expenses and Changes in Fund Net Position
For The Period Ended June 30, 2017
(With Comparative Figures for the year ended November 30, 2016)

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Telephone surcharge	<u>\$ 57,126</u>	<u>393,747</u>
Total revenues	<u>57,126</u>	<u>393,747</u>
Expenses:		
Trunking fees	-	1,052
Mileage	350	1,356
Utilities	910	1,748
Telephone	816	1,507
Lock box fees	-	163
Seminars and workshops	-	125
Education/training	2,072	4,887
Lodging and meals	475	811
Maintenance	27,719	52,517
Consultant/professional services	2,600	9,040
Insurance	322	4,920
Miscellaneous expense	1,351	4,954
Office supplies	162	602
Benefit reimbursement	3,468	6,543
E911 coordinator salary	36,152	62,664
Depreciation expense	88,995	195,580
New equipment/software	<u>2,000</u>	<u>2,477</u>
Total expenses	<u>167,392</u>	<u>350,946</u>
Operating income (loss)	<u>(110,266)</u>	<u>42,801</u>
Nonoperating income:		
Interest income	2,532	6,174
Other income	20	25
Total nonoperating income	<u>2,552</u>	<u>6,199</u>
Net income (loss)	<u>(107,714)</u>	<u>49,000</u>
Other financing sources (uses):		
Transfer to LaSalle County JETS Board	<u>(1,072,330)</u>	<u>-</u>
Net change in fund balance	<u>(1,180,044)</u>	<u>-</u>
Fund balance at beginning of year	<u>1,180,044</u>	<u>1,131,044</u>
Fund balance at end of year	<u>\$ -</u>	<u>1,180,044</u>

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

LASALLE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

Statement C

Statement of Cash Flows
For The Period Ended June 30, 2017
(With Comparative Figures from November 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Receipts from customers	\$ 167,848	312,825
Payments to suppliers	<u>(137,047)</u>	<u>(96,716)</u>
Net cash provided by operating activities	<u>30,801</u>	<u>216,109</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	<u>(14,268)</u>	<u>(399,399)</u>
Cash flows from investing activites:		
Interest and dividends	<u>8,382</u>	<u>6,174</u>
Total cash flows from investing activites	<u>8,382</u>	<u>6,174</u>
Cash flows from non operating activites:		
Transfer to LaSalle County JETS Board	<u>(744,638)</u>	<u>-</u>
Other income	<u>20</u>	<u>25</u>
Total cash flows from non operating activites	<u>(744,618)</u>	<u>25</u>
Net increase (decrease) in cash and cash equivalents	<u>(719,703)</u>	<u>(177,091)</u>
Cash and cash equivalents, beginning of year	<u>719,703</u>	<u>896,794</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>719,703</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income	<u>\$ (110,266)</u>	<u>42,801</u>
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Change in accounts receivable	<u>110,722</u>	<u>(80,922)</u>
Change in accounts payable	<u>(58,650)</u>	<u>58,650</u>
Depreciation expense	<u>88,995</u>	<u>195,580</u>
Net cash provided by operating activities	<u>\$ 30,801</u>	<u>216,109</u>

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

NOTES TO FINANCIAL STATEMENTS

LASALLE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
Notes to Basic Financial Statements

For the Period Ended June 30, 2017

Note 1: Summary of Significant Accounting Policies

These financial statements are presented on the accrual basis of accounting. This basis of accounting is generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The financial statements cover the seven-month period from December 1, 2016 through June 30, 2017.

A. Financial Reporting Entity

The LaSalle County Emergency Telephone System Board was authorized by a resolution of the LaSalle County Board of Commissioners in January, 2005.

During 2017, the LaSalle County ETSB decertified its individual ETSB and has become a member of a newly formed LaSalle County Joint Emergency Telephone System Board (JETS). The LaSalle County JETS Board operates a total of three Public Service Answering Points (PSAPs), one at Ottawa Police Department, one at LaSalle County Sheriff, and one at the Peru Police Department. The LaSalle County Sheriff PSAP remains open and services the rural areas of the County, along with the smaller communities in the County.

The LaSalle County ETSB transferred all of its net position to the LaSalle County JETS Board and ended operations as of June 30, 2017.

In determining the financial reporting entity, the Board complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement 39 and 61.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Under the accrual basis, all major revenues are recorded when susceptible to accrual (both measurable and available), and expenditures are recorded at the time liabilities are incurred.

In the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position, items are presented using the accrual basis of accounting. The basis recognizes assets and revenues when earned and liabilities and expenses when incurred, regardless of when they result from cash transactions. Depreciation expense is reported in these statements. The basis reflects generally accepted accounting principles in the United States of America.

As a result of the use of the 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 good or services received but not yet paid, and accrued expenses and liabilities) are recorded in these financial statements.

LASALLE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
Notes to Basic Financial Statements

For the Period Ended June 30, 2017

Note 1: Summary of Significant Accounting Policies (continued)

C. Capital Assets

Capital Assets are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available.

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

A capitalization threshold of \$500 is used to report capital assets. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Machinery, furniture, and equipment	5 years
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D. Net Position

Net position is displayed in three components:

- a. Net investment in capital assets - 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.

At June 30, 2017 there was no remaining investment in capital assets.

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

E. Use of Estimates

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

LASALLE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
Notes to Basic Financial Statements

For the Period Ended June 30, 2017

Note 2: Deposits

Statutes authorize the ETSB to invest in: 1) securities guaranteed by the full faith and credit of the United States of America; 2) deposits or other investments constituting direct obligations of any bank as defined by the Illinois Banking Act; 3) short-term obligations of corporations organized in the United States which meet other restrictions as defined in Illinois Revised Statutes Chapter 35, Paragraph 902 as amended; 4) money market funds registered under the Investment Company Act of 1940; 5) short-term discount obligations of the Federal National Mortgage Association; 6) shares or other forms of securities legally issuable by savings and loan associations; 7) various share accounts of a credit union chartered under the laws of the State of Illinois or the laws of the United States provided the principal office of any such credit union is located within the State of Illinois; 8) a Public Treasurer's Investment Pool created under Section 17 of "An Act to revise the law in relation to the State Treasurer", approved April 23, 1873, as amended. Bank and savings and loan investments may only be made in institutions which are insured by the Federal Savings and Loan Insurance Corporation.

Custodial Credit Risk is the risk that in the event of a bank failure, the ETSB's deposits may not be returned to it.

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

At June 30, 2017, the carrying amount of the ETSB's deposits was \$0 and the bank balance was \$0, and all deposits exposed to custodial credit risk are fully collateralized with securities held by the pledging or financial institution's trust department or agent, but not in the government's name. The ETSB transferred all of its cash to the LaSalle County JETS Board as of June 30, 2017.

LASALLE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
Notes to Basic Financial Statements

For the Period Ended June 30, 2017

Note 3: Changes in Capital Assets

	<u>Balance as of December 1, 2016</u>	<u>Additions</u>	<u>Transfer to LaSalle JETS Board</u>	<u>Balance as June 30, 2017</u>
Depreciable capital assets:				
Equipment	\$ 1,299,052	14,268	1,313,320	-
Total depreciable capital assets	<u>1,299,052</u>	<u>14,268</u>	<u>1,313,320</u>	<u>-</u>
Less - accumulated depreciation:				
Equipment	896,633	88,995	985,628	-
Total accumulated depreciation	<u>896,633</u>	<u>88,995</u>	<u>985,628</u>	<u>-</u>
Governmental activities capital assets, net	\$ 402,419	(74,727)	327,692	-

All capital assets and accumulated depreciation were transferred to LaSalle County JETS Board as of June 30, 2017.