

LASALLE COUNTY
EMERGENCY TELEPHONE SYSTEM BOARD
OTTAWA, ILLINOIS
ANNUAL FINANCIAL REPORT
NOVEMBER 30, 2016

Prepared by:



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LASALLE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
Table of Contents

For the Year Ended November 30, 2016

	PAGE
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED).....	3-6
BASIC FINANCIAL STATEMENTS	
Statement of Net Position (Statement A)	7
Statement of Revenues, Expenses, and Changes in Net Position (Statement B)	8
Statement of Cash Flows (Statement C)	9
NOTES TO BASIC FINANCIAL STATEMENTS.....	10-14

INDEPENDENT AUDITORS' REPORT



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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 year ended November 30, 2016, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

Opinions

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 November 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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, 2015, which are presented for comparison purposes with the accompanying financial statements. In our report dated February 4, 2016, we express unqualified opinions on the respective financial statements of the business-type activities.

Mack + Associate, P. C.

MACK & ASSOCIATES, P.C.
Certified Public Accountants

Morris, Illinois
March 16, 2017

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

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

For the Year Ended November 30, 2016

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 fiscal year ended November 30, 2016. Please read it in conjunction with the LaSalle County Emergency Telephone System Board's financial statements that begin on page 7.

FINANCIAL HIGHLIGHTS

- The LaSalle County Emergency Telephone System Board Revenues exceeded total expenses by \$49,000 for the year ending November 30, 2016.

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 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 proprietary and fund statements.

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

For the Year Ended November 30, 2016

Reporting the LaSalle County Emergency Telephone Board as a Whole

This annual 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
	2016	2015	
<u>Assets</u>			
Current and other assets	\$ 836,275	932,444	-10%
Capital assets	402,419	198,600	103%
Total assets	<u>\$ 1,238,694</u>	<u>1,131,044</u>	<u>10%</u>
<u>Liabilities</u>			
Accounts payable	\$ 58,650	-	100%
Total liabilities	<u>\$ 58,650</u>	<u>-</u>	<u>100%</u>
<u>Net Position</u>			
Net investment in capital assets	\$ 402,419	198,600	103%
Unrestricted	836,275	932,444	-10%
Total net position	<u>\$ 1,180,044</u>	<u>1,131,044</u>	<u>4%</u>

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

For the Year Ended November 30, 2016

Changes in Net Position-Accrual Basis

For the year ended November 30, 2016, 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	2015	
Revenues:			
General revenues:			
Service fees	\$ 393,747	280,055	41%
Other income	25	6,718	-100%
Investment income	6,174	2,774	123%
Total revenues	<u>399,946</u>	<u>289,547</u>	<u>64%</u>
Expenses:			
General government:			
Administrative expenses	<u>350,946</u>	<u>342,196</u>	<u>3%</u>
Total expenses	<u>350,946</u>	<u>342,196</u>	<u>3%</u>
Change in net position	49,000	(52,649)	-193%
Total net position - beginning	<u>1,131,044</u>	<u>1,183,693</u>	<u>-4%</u>
Total net position - ending	<u>\$ 1,180,044</u>	<u>1,131,044</u>	<u>4%</u>

Capital Assets – Accrual Basis

At November 30, 2016, the LaSalle County Emergency Telephone System Board had \$402,419 invested in capital assets, net of accumulated depreciation. See Note 3 for more information on capital assets.

	Business-Type Activities	
	2016	2015
Equipment, net	\$ 402,419	198,600
Total capital assets, net of accumulated depreciation	<u>\$ 402,419</u>	<u>198,600</u>

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

For the Year Ended November 30, 2016

Capital Assets – Accrual Basis (Continued)

The Board had the following significant capital additions for the year ended November 30, 2016:

Radio Consoles:	\$377,323
Voice logging recorder:	22,076

Total depreciation expense for the year ended November 30, 2016 was \$195,580.

(FACTORS LIKELY TO HAVE A POTENTIAL IMPACT ON FINANCIAL POSITION)

LaSalle County, LaSalle City, Peru, Oglesby, Marseilles and Mendota ETSBs have all decertified their individual ETSBs and have become members of a newly formed LaSalle County Joint Emergency Telephone System Board. An intergovernmental agreement between all the party members of the newly formed LaSalle County JETS Board has been executed. The LaSalle County JETS Board plans to operate 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 Peru PSAP will now be known as the Illinois Valley Regional Dispatch (IVRD). This change will therefore reduce the number of ETSBs in the county from seven to one and reduces the number of PSAPs from six to three, therefore allowing for full compliance with Illinois PA 099-0006.

The LaSalle County JETS Board plans to keep all three PSAPs operating in a legacy mode for the time being until the State of Illinois implements an IP based network suitable for 9-1-1 services, which is estimated to be completed in approximately the year 2020. When the new state-wide IP network is established the intent will be to migrate the three PSAPs to the state network and to NG9-1-1 service.

The LaSalle County Sheriff PSAP will remain open and service the rural areas of the county along with the smaller communities in the county. The Ottawa PSAP will remain open and service the Cities of Ottawa and Marseilles. The Peru PSAP will remain open and service the Cities of Peru, La Salle, Oglesby, and Mendota. This PSAP will operate as the Illinois Valley Regional Dispatch, a joint venture between these four communities.

BASIC FINANCIAL STATEMENTS

LASALLE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

Statement A

Statement of Net Position
November 30, 2016
(With Comparative Figures for November 30, 2015)

	2016	2015
Assets		
Current assets:		
Cash in bank	\$ 209,096	386,187
Certificates of deposit	510,607	510,607
Accrued interest receivable	5,850	-
Accounts receivable	110,722	35,650
Total current assets	<u>836,275</u>	<u>932,444</u>
Noncurrent assets:		
Capital assets		
Equipment	1,299,052	899,653
Less: accumulated depreciation	<u>(896,633)</u>	<u>(701,053)</u>
Net capital assets	<u>402,419</u>	<u>198,600</u>
Total assets	<u><u>\$ 1,238,694</u></u>	<u><u>1,131,044</u></u>
Liabilities		
Current liabilities		
Accounts payable	\$ 58,650	-
Total liabilities	<u>\$ 58,650</u>	<u>-</u>
Net Position		
Net investment in capital assets	402,419	198,600
Unrestricted	<u>777,625</u>	<u>932,444</u>
Total net position	<u><u>\$ 1,180,044</u></u>	<u><u>1,131,044</u></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 Year Ended November 30, 2016
(With Comparative Figures for the year ended November 30, 2015)

	2016	2015
Operating Revenues:		
Telephone surcharge	\$ 393,747	280,055
Total revenues	393,747	280,055
Expenses:		
Trunking fees	1,052	88,747
Mileage	1,356	1,857
Utilities	1,748	1,299
Telephone	1,507	1,340
Lock box fees	163	1,483
Seminars and workshops	125	2,858
Education/training	4,887	104
Lodging and meals	811	426
Maintenance contract	52,517	31,281
Consultant/professional services	9,040	3,700
Insurance	4,920	4,674
Miscellaneous expense	4,954	1,111
Office supplies	602	421
Benefit reimbursement	6,543	6,204
E911 coordinator salary	62,664	63,482
Depreciation expense	195,580	129,041
New equipment/software	2,477	4,168
Total expenses	350,946	342,196
Operating income	42,801	(62,141)
Nonoperating income:		
Interest income	6,174	2,774
Other income	25	6,718
Total nonoperating income	6,199	9,492
Net Income	49,000	(52,649)
Fund balance at beginning of year	1,131,044	1,183,693
Fund balance at end of year	\$ 1,180,044	1,131,044

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 Year Ended November 30, 2016****(With Comparative Figures from November 30, 2015)**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Receipts from customers	\$ 312,825	268,707
Payments to suppliers	<u>(96,716)</u>	<u>(213,155)</u>
Net cash provided by operating activities	<u>216,109</u>	<u>55,552</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets/insurance claims	<u>(399,399)</u>	<u>6,718</u>
Cash flows from investing activites:		
Interest and dividends	<u>6,174</u>	<u>2,859</u>
Cash flows from non operating activites:		
Other income	<u>25</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>(177,091)</u>	<u>65,129</u>
Cash and cash equivalents, beginning of year	<u>896,794</u>	<u>831,665</u>
Cash and cash equivalents, end of year	<u>\$ 719,703</u>	<u>896,794</u>
 Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income	\$ 42,801	(62,141)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Change in accounts receivable	(80,922)	(11,348)
Change in accounts payable	58,650	-
Depreciation expense	<u>195,580</u>	<u>129,041</u>
Net cash provided by operating activities	<u>\$ 216,109</u>	<u>55,552</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 Year Ended November 30, 2016

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.

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.

The LaSalle County Emergency Telephone System Board shall be the overseer of the Enhanced 9-1-1 Project. It will ensure, but not be limited to, the timely implementation of the Enhanced 9-1-1 Project and administer the funds that will be generated from telephone surcharges beginning January 2005.

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.

See Note 4 for upcoming changes to the Board's reporting entity.

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 Year Ended November 30, 2016

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 November 30, 2016, net investment in capital assets consists of the following:

Equipment	\$ 1,299,052
Accumulated Depreciation	<u>(896,633)</u>
Net investment in	
capital assets	<u>\$ 402,419</u>

- 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 Year Ended November 30, 2016

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

At November 30, 2016, the carrying amount of the ETSB's deposits was \$719,703 and the bank balance was \$719,993, 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.

LASALLE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
Notes to Basic Financial Statements

For the Year Ended November 30, 2016

Note 3: Changes in Capital Assets

	Balance as of December 1, 2015	Additions	Deletions	Balance as of November 30, 2016
Depreciable capital assets:				
Equipment	\$ 899,653	399,399	-	1,299,052
Total depreciable capital assets	899,653	399,399	-	1,299,052
Less - accumulated depreciation:				
Equipment	701,053	195,580	-	896,633
Total accumulated depreciation	701,053	195,580	-	896,633
Governmental activities capital assets, net	\$ 198,600	203,819	-	402,419

Note 4: Change in Reporting Entity

During 2016, the LaSalle County ETSB decertified its individual ETSB and has become a member of a newly formed LaSalle County Joint Emergency Telephone System Board. The LaSalle County JETS Board plans to operate 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 Peru PSAP will now be known as the Illinois Valley Regional Dispatch (IVRD). This change will therefore reduce the number of ETSBs in the county from seven to one and reduces the number of PSAPs from six to three, therefore allowing for full compliance with Illinois PA 099-0006.

The LaSalle County JETS Board plans to keep all three PSAPs operating in a legacy mode for the time being until the State of Illinois implements an IP based network suitable for 9-1-1 services, which is estimated to be completed in approximately the year 2020. When the new state-wide IP network is established the intent will be to migrate the three PSAPs to the state network and to NG9-1-1 service.

The LaSalle County Sheriff PSAP will remain open and service the rural areas of the county along with the smaller communities in the county. The Ottawa PSAP will remain open and service the Cities of Ottawa and Marseilles. The Peru PSAP will remain open and service the Cities of Peru, La Salle, Oglesby, and Mendota. This PSAP will operate as the Illinois Valley Regional Dispatch, a joint venture between these four communities.

LASALLE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD
Notes to Basic Financial Statements

For the Year Ended November 30, 2016

Note 5: Subsequent Events

Management evaluated subsequent events through March 16, 2017, the date the financial statements were available to be issued. No amounts were required to be recorded or disclosed in the financial statements as of November 30, 2016 as a result of events occurring between December 1, 2016 and March 16, 2017.