

LASALLE COUNTY
EMERGENCY TELEPHONE SYSTEM BOARD
OTTAWA, ILLINOIS
ANNUAL FINANCIAL REPORT
NOVEMBER 30, 2015



CERTIFIED PUBLIC ACCOUNTANTS

Prepared by:

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

*116 E. Washington Street, Suite One
Morris, IL 60450
Telephone: (815) 942-3306*

LASALLE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

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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
TREVOR DEBELAK, CPA
MATT MELVIN
CHRIS CHRISTENSEN
STEPHANIE HEISNER

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, 2015, 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, 2015, 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

Our auditors previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of LaSalle County Emergency Telephone System Board for the year ended November 30, 2014, which are presented for comparison purposes with the accompanying financial statements.

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

Morris, Illinois
February 4, 2016

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

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

For the Year Ended November 30, 2015

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, 2015. 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 expenses exceeded total revenue by \$52,649 for the year ending November 30, 2015.

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, 2015

Reporting the LaSalle County Emergency Telephone Board as a Whole

The Emergency Telephone System Board's Entity Presentation

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
	2015	2014	
Assets			
Current and other assets	\$ 932,444	856,053	9%
Capital assets	198,600	327,640	-39%
Total assets	\$ 1,131,044	1,183,693	-4%
Net Position			
Net investment in capital assets	\$ 198,600	327,640	-39%
Unrestricted	932,444	856,053	9%
Total net position	\$ 1,131,044	1,183,693	-4%

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

For the Year Ended November 30, 2015

Changes in Net Position-Accrual Basis

For the year ended November 30, 2015, 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
	2015	2014	2014-2015
Revenues:			
General revenues:			
Service fees	\$ 280,055	290,850	-4%
Insurance claims	6,718	-	100%
Investment income	2,774	3,327	-17%
Total revenues	<u>289,547</u>	<u>294,177</u>	<u>-2%</u>
Expenses:			
General government:			
Administrative expenses	<u>342,196</u>	<u>393,879</u>	<u>-13%</u>
Total expenses	<u>342,196</u>	<u>393,879</u>	<u>-13%</u>
Change in net position	(52,649)	(99,702)	-47%
Total net position - beginning	<u>1,183,693</u>	<u>1,283,395</u>	<u>-8%</u>
Total net position - ending	<u>\$ 1,131,044</u>	<u>1,183,693</u>	<u>-4%</u>

Capital Assets – Accrual Basis

At November 30, 2015, the LaSalle County Emergency Telephone System Board had \$198,600 invested in capital assets, net of accumulated depreciation. See Note 3 for more information on capital assets.

	Business-Type Activities	
	2015	2014
Equipment, net	\$ 198,600	327,640
Total capital assets, net of accumulated depreciation	\$ 198,600	327,640

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

For the Year Ended November 30, 2015

Capital Assets – Accrual Basis (Continued)

There were no significant capital additions for the year ended November 30, 2015.

Total depreciation expense for the year ended November 30, 2015 was \$129,041.

BASIC FINANCIAL STATEMENTS

LASALLE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

Statement A

Statement of Net Position
November 30, 2015
(With Comparative Figures for November 30, 2014)

	2015	2014
<u>Assets</u>		
Current assets:		
Cash in bank	\$ 386,187	323,601
Investments	510,607	508,064
Accrued interest receivable	-	86
Accounts receivable	35,650	24,302
Total current assets	<u>932,444</u>	<u>856,053</u>
Noncurrent assets:		
Capital assets		
Equipment	899,653	899,652
Less: accumulated depreciation	(701,053)	(572,012)
Net capital assets	<u>198,600</u>	<u>327,640</u>
Total assets	<u>\$ 1,131,044</u>	<u>1,183,693</u>
<u>Net Position</u>		
Net investment in capital assets	198,600	327,640
Unrestricted	<u>932,444</u>	<u>856,053</u>
Total net position	<u>\$ 1,131,044</u>	<u>1,183,693</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, 2015
(With Comparative Figures for the year ended November 30, 2014)

	2015	2014
Operating Revenues:		
Telephone surcharge	\$ 280,055	290,850
Total revenues	280,055	290,850
Expenses:		
Trunking fees	88,747	87,274
Maintenance and repair-equipment	1,032	3,186
Mileage	1,857	1,994
Utilities	1,299	1,198
Telephone	1,340	1,271
Lock box fees	1,483	1,365
Seminars and workshops	2,858	8,057
Education/training	104	606
Lodging and meals	426	1,021
Maintenance contract	30,249	13,456
Consultant/professional services	3,700	15,900
Insurance	4,674	4,404
Miscellaneous expense	1,111	9
Office supplies	421	-
Benefit reimbursement	6,204	5,464
E911 coordinator salary	63,482	59,963
Depreciation expense	129,041	177,876
New equipment/software	4,168	10,835
Total expenses	342,196	393,879
Operating income	(62,141)	(103,029)
Nonoperating income:		
Interest income	2,774	3,327
Insurance claims	6,718	-
Total nonoperating income	9,492	3,327
Net Income	(52,649)	(99,702)
Fund balance at beginning of year	1,183,693	1,283,395
Fund balance at end of year	\$ 1,131,044	1,183,693

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, 2015
(With Comparative Figures from November 30, 2014)

	2015	2014
Cash flows from operating activities:		
Receipts from customers	\$ 268,707	291,741
Payments to suppliers	<u>(213,155)</u>	<u>(216,003)</u>
Net cash provided by operating activities	<u>55,552</u>	<u>75,738</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets/insurance claims	<u>6,718</u>	<u>(16,758)</u>
Cash flows from investing activities:		
Interest and dividends	<u>2,859</u>	<u>3,240</u>
Net increase (decrease) in cash and cash equivalents	<u>65,129</u>	<u>62,220</u>
Cash and cash equivalents, beginning of year	<u>831,665</u>	<u>769,445</u>
Cash and cash equivalents, end of year	<u>\$ 896,794</u>	<u>831,665</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income	\$ (62,141)	(103,029)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Change in accounts receivable	<u>(11,348)</u>	<u>891</u>
Depreciation expense	<u>129,041</u>	<u>177,876</u>
Net cash provided by operating activities	<u>\$ 55,552</u>	<u>75,738</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, 2015

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. In LaSalle County Emergency Telephone System Board'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. 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.

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, 2015

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.
- 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, 2015

Note 2: Deposits and Investments

Statutes authorize the County 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, 2015, the carrying amount of the ETSB's deposits was \$896,794 and the bank balance was \$902,277, 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, 2015

Note 3: Changes in Capital Assets

	Balance as of December 1, 2014	Additions	Deletions	Balance as of November 30, 2015
Depreciable capital assets:				
Equipment	\$ 899,652	_____	_____	899,652
Total depreciable capital assets	<u>899,652</u>	<u>_____</u>	<u>_____</u>	<u>899,652</u>
Less - accumulated depreciation:				
Equipment	572,011	129,041	_____	701,052
Total accumulated depreciation	<u>572,011</u>	<u>129,041</u>	<u>_____</u>	<u>701,052</u>
Governmental activities capital assets, net	\$ 327,641	<u>(129,041)</u>	<u>_____</u>	<u>198,600</u>



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February 4, 2016

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

We have audited the financial statements of the LaSalle County Emergency Telephone System Board for the year ended November 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 13, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Emergency Telephone System Board are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended November 30, 2015. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 4, 2016.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Restriction on Use

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

Sincerely,

Mack & Associates, P.C.

Mack & Associates, P.C.
Certified Public Accountants