

**ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
AUDITED FINANCIAL REPORT**

JUNE 30, 2008

LEGG & LEGG, LLP

Certified Public Accountants

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ILLINOIS LAW ENFORCEMENT ALARM SYSTEM

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LEGG & LEGG, LLP

Certified Public Accountants

Billy L. Legg, CPA

James C. Legg, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Illinois Law Enforcement Alarm System

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Illinois Law Enforcement Alarm System as of and for the year ended June 30, 2008, which collectively comprise the Organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Illinois Law Enforcement Alarm Systems management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and business-type activities of the Illinois Law Enforcement Alarm System as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2010 on our consideration of the Illinois Law Enforcement Alarm System's 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Management's discussion and analysis information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. Management's discussion and analysis information is omitted from these financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Illinois Law Enforcement Alarm System's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Illinois Law Enforcement Alarm System. The schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Joy & Joy L.L.P.

August 25, 2010

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
 STATEMENT OF NET ASSETS
 June 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 48,464	\$ 162,425	\$ 210,889
Membership dues receivable		5,800	5,800
Grant receivable		12,279	12,279
Prepaid rent	900,000		900,000
Capital assets net of accumulated depreciation:			
Leasehold improvements	1,562,083		1,562,083
Equipment	258,114		258,114
Vehicles	41,583		41,583
Total Assets	<u>2,810,244</u>	<u>180,504</u>	<u>2,990,748</u>
Liabilities			
Accounts Payable	<u>12,279</u>		<u>12,279</u>
Total Liabilities	<u>12,279</u>		<u>12,279</u>
Net Assets			
Invested in capital assets	1,861,780		1,861,780
Unrestricted	<u>936,185</u>	<u>180,504</u>	<u>1,116,689</u>
Total net assets	<u>\$ 2,797,965</u>	<u>\$ 180,504</u>	<u>\$ 2,978,469</u>

The accompanying notes are an integral part of these financial statements

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Statement of Activities
For the year ended June 30, 2008

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
Management and Administration	\$ 484,236		\$ 484,144		\$ (92)		\$ (92)
Task Force Equipment	4,140,665		4,224,849		84,184		84,184
Training Center	399,343				2,677,598		2,677,598
Planning, Conferences, Workshops, Training	5,217,074		5,211,471		(5,603)		(5,603)
Credentiaing	3,170,813		3,170,813				
Total governmental activities	13,412,131		13,091,277	3,076,941	2,756,087		2,756,087
Business-type activities:							
Administration and Conferences	150,942	\$ 179,613				\$ 28,671	28,671
Total business-type activities	150,942	179,613				28,671	28,671
Total primary government	\$ 13,563,073	\$ 179,613	\$ 13,091,277	\$ 3,076,941	\$ 2,756,087	\$ 28,671	\$ 2,784,758
General Revenues:							
Interest Income					6,028	3,819	9,847
Total general revenues					6,028	3,819	9,847
Change in net assets					2,762,115	32,490	2,794,605
Net assets - beginning					35,850	148,014	183,864
Net assets - ending					\$ 2,797,965	\$ 180,504	\$ 2,978,469

The accompanying notes are an integral part of these financial statements.

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
 BALANCE SHEET
 GOVERNMENTAL FUND
 June 30, 2008

	<u>General Fund</u>	<u>Total Governmental Fund</u>
Assets		
Cash and cash equivalents	\$ 48,464	\$ 48,464
Prepaid expenses	<u>900,000</u>	<u>900,000</u>
Total Assets	<u>948,464</u>	<u>948,464</u>
Liabilities		
Accounts Payable	<u>12,279</u>	<u>12,279</u>
Total Liabilities	<u>12,279</u>	<u>12,279</u>
Fund Balance		
Unreserved	<u>936,185</u>	<u>936,185</u>
Total Fund Balance	<u>936,185</u>	<u>936,185</u>
Total Liabilities and Fund Balance	<u>948,464</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 \$1,961,122, net of accumulated depreciation of \$99,342, are not financial resources and therefore, are not reported in the funds.

1,861,780

Net assets of governmental activities

\$ 2,797,965

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the year ended June 30, 2008

Reconciliation to Statement of Activities:

Net change in fund balance - governmental fund	\$ 900,335
Governmental funds report capital outlays as expenditures, However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,961,122) exceeded depreciation (\$99,342) in the current period.	1,861,780
Change in Net Assets of Governmental Activities	<u>\$2,762,115</u>

The accompanying notes are an integral part of these financial statements

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND
 For the Year Ended June 30, 2008

	<u>General Fund</u>
Revenues:	
Federal sources:	
Grants-in-aid	\$ 15,939,405
State sources:	
Grants-in-aid	<u>117,183</u>
Local sources:	
Interest income	6,028
Other	<u>111,629</u>
Total local sources	<u>117,657</u>
Total revenues	<u>16,174,245</u>
Expenditures:	
Current:	
Management and Administration	484,236
Training and reimbursements	12,927,894
Capital outlay	<u>1,861,780</u>
Total Expenditures	<u>15,273,910</u>
Increase of revenues over expenditures	900,335
Fund balance at beginning of year	<u>35,850</u>
Fund balance at end of year	<u><u>\$ 936,185</u></u>

The accompanying notes are an integral part of these financial statements

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
STATEMENT OF NET ASSETS
PROPRIETARY FUND (BUSINESS-TYPE ACTIVITIES)
June 30, 2008

Assets

Current Assets:

Cash and cash equivalents	\$ 162,425
Membership dues receivable	5,800
Grant receivable	12,279

Total Assets	<u>180,504</u>
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Liabilities:

Total Liabilities	<u> </u>
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Net Assets

Unrestricted	180,504
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Total Net Assets	<u>\$ 180,504</u>
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ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUND (BUSINESS-TYPE ACTIVITIES)
 For the Year Ended June 30, 2008

Operating Revenues:	
Membership dues	\$ 49,025
Conferences	107,711
Management fee	20,000
Other	2,877
Interest	3,819
Total Operating Revenues	<u>183,432</u>
Operating Expenses:	
Conferences	43,692
Contract salary	8,500
Insurance	35,123
Professional fees	29,421
Office expense	5,463
Staff travel	3,280
Supplies	19,416
Training center expense	<u>6,047</u>
Total Operating Expenses	<u>150,942</u>
Net Operating Revenues	<u>32,490</u>
Change in Net Assets	32,490
Total Net Assets - Beginning	<u>148,014</u>
Total Net Assets - Ending	<u>\$ 180,504</u>

The accompanying notes are an integral part of these financial statements

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 For the Year Ended June 30, 2008

Cash Flows From Operating Activities	
Conference income	\$ 107,711
Membership dues	43,225
Other	10,598
Payment to suppliers	<u>(150,942)</u>
Net cash provided by operating activities	<u>10,592</u>
Cash flows from investing activities	
Interest	<u>3,819</u>
Net cash provided by investing activities	<u>3,819</u>
Net increase in cash and cash equivalents	14,411
Balance - beginning of year	<u>148,014</u>
Balance - end of year	<u><u>\$ 162,425</u></u>
Reconciliation of operating income to net cash provided by operating Activities:	
Operating income	32,490
Change in assets:	
Membership dues receivable	(5,800)
Grant receivable	(12,279)
Net cash provided by operating activities	<u><u>\$ 14,411</u></u>

The accompanying notes are an integral part of these financial statements

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Notes to Financial Statements
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Illinois Law Enforcement Alarm System (ILEAS) was formed in 2002 as an alliance of all law enforcement agencies in the State of Illinois for the purpose of mutual aid, homeland security and the combining of resources for public safety. ILEAS represents all the sheriff's offices and several hundred police departments in Illinois.

ILEAS has established and manages a state-wide mutual aid plan whereby, member departments can "pre-plan" disaster and crisis mutual aid. If a department needs assistance during an incident, ILEAS can share that burden by notifying and coordinating the pre-plan mutual aid agencies responses.

ILEAS is divided into 8 geographic regions which are based in Illinois Emergency Management Agency regions. Each region elects a chief-of-police and a sheriff to act as regional co-chairs. The ILEAS Governing Board is made up of:

- 16 Regional Co-Chairs
- 2 Representatives from Chicago PD
- 1 Representative from the Illinois State Police
- 1 Representative from the Illinois Sheriff's Association
- 1 Representative from the Illinois Association of Chiefs of Police

Any of the Governing Board members can appoint a permanent delegate to the Board. Additionally, ILEAS has added advisory, non-voting ex-officio members to the Governing Board. The President of ILEAS has appointed an Executive Committee consisting of elected Governing Board Officers to manage the day to day activities. ILEAS has hired contractors to administer the Federal Homeland Security grants which make up a majority of ILEAS funds.

ILEAS is both a coalition/consortium of local agencies as established by law in Illinois and a non-profit corporation which share identical officers and by-laws. As required by U.S. generally accepted accounting principles, these financial statements include ILEAS and its component units, entities for which ILEAS is considered to be financially accountable. At June 30, 2008 no entities were considered a component unit of ILEAS. Also, ILEAS is not considered a component unit of any other government entity.

The mission of ILEAS is to meet the needs of law enforcement throughout the State of Illinois in matters of mutual aid, emergency response and the combining of resources for public safety.

Measurement focus, basis of accounting, and financial statement presentation

In the government-wide statement of net assets and the statement of activities, both governmental and business-type activities are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Notes to Financial Statements
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement focus, basis of accounting, and financial statement presentation(continued)

Grants, entitlements, and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the Organization receives cash.

Fund accounting

The accounts of ILEAS 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.

The funds of the financial reporting entity are described below:

Governmental Fund – This is used to account for all grant activities in the Organization.

Proprietary Fund - This is used to account for business-type activities provided through the Organization. These activities are financed primarily by conference activities.

Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

Cash and Cash Equivalents

For purposes of the statement of cash flows, ILEAS considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The total cash on deposit by ILEAS at year end did not exceed the amount covered by insurance provided by the federal government. However, there were times during the year when the cash on deposit exceed the federal insured limits.

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Notes to Financial Statements
June 30, 2008

NOTE 3 – CAPITAL ASSETS

Capital assets, which include buildings and leasehold improvements, apparatus and vehicles, and equipment, reported in the government-wide financial statements are defined by ILEAS as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

All capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and leasehold improvements	20-50 years
Apparatus and vehicles	5-25 years
Equipment	5-20 years

NOTE 4 - RISK MANAGEMENT

ILEAS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. In order to protect against such losses, ILEAS has purchased insurance from private insurance companies. The amount of coverage has not decreased nor have the amount of settlements exceeded coverage levels in place during any of the past three years. Insurance expense for the year ended June 30, 2008 was \$35,123.

NOTE 5 - CONTIGENCIES

Litigation

As of June 30, 2008, ILEAS did not have any pending litigation or potential nondisclosed liabilities.

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Notes to Financial Statements
June 30, 2008

NOTE 6 - CAPITAL ASSETS

Capital assets for the year ending June 30, 2008 is as follows:

	<u>Balance at July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2008</u>
Governmental Activities:				
Capital assets:				
Leasehold improvements	\$ -	\$ 1,630,000	\$ -	\$ 1,630,000
Equipment	-	286,505	-	286,505
Vehicle	-	44,617	-	44,617
Total capital assets	<u>-</u>	<u>1,961,122</u>	<u>-</u>	<u>1,961,122</u>
Less accumulated depreciation for:				
Leasehold improvements	-	67,917	-	67,917
Equipment	-	28,391	-	28,391
Vehicles	-	3,034	-	3,034
Total accumulated depreciation	<u>-</u>	<u>99,342</u>	<u>-</u>	<u>99,342</u>
Government activities capital assets, net	<u>-</u>	<u>1,861,780</u>	<u>-</u>	<u>1,861,780</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Governmental Activities:		
Training Center		99,342
Total governmental activities depreciation expense		<u>\$ 99,342</u>

NOTE 7 - LEASE COMMITMENTS

On September 1, 2007 ILEAS entered into a lease agreement with Champaign County, Illinois. The premises leased is approximately 23 acres, including a 120,000 square foot building and a 5 bay garage located at 1701 East Main Street, Urbana, Illinois. The term of the lease (3 years) commenced on September 1, 2007 and expires on December 31, 2010. ILEAS made a lump-sum payment of \$2,830,000 and was allocated as follows:

Leasehold improvements (capitalized)	\$1,630,000
Lease payments	<u>1,200,000</u>
Total payment	<u>\$2,830,000</u>

The lease provides ILESA with two options of three years each to enter into a new lease agreement. At the time of the option it is anticipated the rent shall be based on a charge of \$5.00 per square foot occupied by the tenant as office space. A schedule of prepaid lease payment and lease expense is as follows:

<u>Year Ended</u>	<u>Lease Expense</u>	<u>Prepaid Lease</u>
June 30, 2008	\$ 300,000	\$ 900,000
June 30, 2009	360,000	540,000
June 30, 2010	360,000	180,000
June 30, 2011	180,000	

LEGG & LEGG, LLP

Certified Public Accountants

Billy L. Legg, CPA

James C. Legg, CPA

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 Directors
Illinois Law Enforcement Alarm System

We have audited the financial statements of the governmental activities and the business-type activities of the Illinois Law Enforcement Alarm System as of and for the year ended June 30, 2008, which collectively comprise Illinois Law Enforcement Alarm System's basic financial statements and have issued our report thereon dated August 25, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Illinois Law Enforcement Alarm System's internal control over financial reporting as a basis for designing our auditing procedures 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 Illinois Law Enforcement Alarm System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Illinois Law Enforcement Alarm System's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Illinois Law Enforcement Alarm System's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Illinois Law Enforcement Alarm System's financial statements that is more than inconsequential will not be prevented or detected by Illinois Law Enforcement Alarm System's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. These are listed as item 2008-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Illinois Law Enforcement Alarm System's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Illinois Law Enforcement Alarm System's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2008-1.

Illinois Law Enforcement Alarm System's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Illinois Law Enforcement Alarm System's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, board of directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joy & Joy L.L.P.

August 25, 2010

LEGG & LEGG, LLP

Certified Public Accountants

Billy L. Legg, CPA

James C. Legg, CPA

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Illinois Law Enforcement Alarm System

Compliance

We have audited the compliance of Illinois Law Enforcement Alarm System with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2008. Illinois Law Enforcement Alarm System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Illinois Law Enforcement Alarm System's management. Our responsibility is to express an opinion on Illinois Law Enforcement Alarm System's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Government, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Illinois Law Enforcement Alarm System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Illinois Law Enforcement Alarm System's compliance with those requirements.

In our opinion, Illinois Law Enforcement Alarm System complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Illinois Law Enforcement Alarm System is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Illinois Law Enforcement Alarm System's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Illinois Law Enforcement Alarm System's internal control over compliance.

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Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-1 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Illinois Law Enforcement Alarm System's response to the findings identified in our audit are described in the accompany schedule of findings and questioned costs. We did not audit Illinois Law Enforcement Alarm System's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, board of directors, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than specified parties.

Jagg & Jagg L.L.P.

August 25, 2010

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Illinois Emergency Management Agency:			
2003 Mobil Data Computers Grant	97.004	703ILEMDCST	653,929
2004 Communications Plan Developer Grant	97.004	704ILECMPLN	17,629
2004 Star Com Radio Grant	97.004	704ILSTRUPD	329,999
2005 Citizen Corps Program Grant	97.067	805ILEASCCP	4,102
2005 Planning and Policy Grant	97.074	705ILEASCON	78
2005 Planning and Policy Grant	97.074	805ILEASCON	15,828
2005 Overtime and Backfill Grant	97.074	705ILEASOTB	281,134
2005 Overtime and Backfill Grant	97.074	805ILEASOT2	4,452
2005 Overtime and Backfill Grant	97.074	805ILEASOTB	816,049
2006 Overtime and Backfill Grant	97.074	706ILEASOTB	214,994
2006 Overtime and Backfill Grant	97.074	806ILEASOTB	138,527
2007 Overtime and Backfill Grant	97.067	807ILEASOTB	446,478
2005 SNS Distribution Team Grant	97.074	705ILEASSNS	515,440
2005 Training Grant	97.074	805ILEASTRN	505
2006 Training Grant	97.074	706ILEASTRN	55,804
2006 Training Grant	97.074	806ILEASTRN	1,037,405
2007 Training Grant	97.067	807ILEASTRN	2,380,015
2005 Local Law Enforcement Grant	97.074	705ILEGRANT	69,250
2005 Local Law Enforcement Grant	97.074	805ILEGRANT	6,146
2006 Management and Administration Grant	97.074	706ILEASADM	128,589
2006 Management and Administration Grant	97.074	806ILEASADM	30,680
2007 Management and Administration Grant	97.067	807ILEASADM	193,801
2006 Interoperable Communications Grant	97.074	706ILEASCOM	268,895
2006 Interoperable Communications Grant	97.074	806ILEASCOM	1,685
2006 Equipment Grant	97.074	706ILEASEQU	124,328
2006 Equipment Grant	97.074	806ILEASEQU	571,190
2007 Equipment Grant	97.067	807ILEASEQU	664,627

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
2006 Infrastructure Security Awareness Grant	97.073	706ILEASISA	5,385
2006 Infrastructure Security Awareness Grant	97.073	806ILEASISA	7,602
2006 Planning/Conference/Workshops Grant	97.074	706ILEASPLA	51,982
2006 Planning/Conference/Workshops Grant	97.074	806ILEASPLA	2,008,455
2007 Planning/Conference/Workshops Grant	97.067	807ILEASPLA	265,697
2006 Radiation Detection Grant	97.073	806ILEASRAD	305,870
2006 Regional Distribution Site Security Teams Grant	97.074	706ILEASSEC	227,470
2006 Regional Distribution Site Security Teams Grant	97.074	806ILEASSEC	723,807
2006 WMD Special Response Teams Grant	97.074	706ILEASWMD	2,593
2006 WMD Special Response Teams Grant	97.074	806ILEASWMD	118,941
2007 WMD Special Response Teams Grant	97.067	807ILEASSRT	5,235
2006 ICLEAR/Credentialing/SOS Photo Enhancement Grant	97.074	706ILICLEAR	89,914
2006 ICLEAR/Credentialing/SOS Photo Enhancement Grant	97.074	806ILICLEAR	2,599,875
2007 ICLEAR/Credentialing/SOS Photo Enhancement Grant	97.067	807ILICLEAR	481,025
2007 Grant Manage and Reconcile Grant	97.067	807ILEASACC	3,041
2007 Business Mutual Aid Grant	97.067	807ILEASBMA	15,454
2007 Mobile Field Force Grant	97.067	807ILEASMFF	23,462
2007 Training and Outreach Coordinator Grant	97.067	807ILTRNCOR	25,761
Total U.S. Department of Homeland Security			<u>15,933,128</u>
U.S. DEPARTMENT OF COMMERCE			
Passed through Illinois Emergency Management Agency:			
2007 Communications Plan Developer Grant	11.555	807ILECMLPN	5,573
Total U.S. Department of Commerce			<u>5,573</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>15,938,701</u></u>

**ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED JUNE 30, 2008**

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Illinois Law Enforcement Alarm System and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and None-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – SUMMARY OF CFDA TOTALS

<u>CFDA Number</u>	<u>Total Expenditures</u>
97.004	1,001,557
97.067	4,508,698
97.073	318,857
97.074	10,104,016
11.555	<u>5,573</u>

Total Expenditures of Federal Awards by CFDA Number. \$ 15,938,701

NOTE C – SUBRECIPIENTS

The Organization provided no amount to subrecipients from federal programs.

NOTE D – NONMONETARY ASSISTANCE

The Organization did not receive non-cash assistance, federal insurance coverage or loan guarantees during the year.

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008

Section I – Summary Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es) X yes none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Reportable condition(s) identified that are not considered to be material weakness(es): X yes none reported

Type of auditor’s report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? X yes no

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended June 30, 2008**

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
97.004	2003 Mobil Data Computers Grant
97.004	2004 Communications Plan Developer Grant
97.004	2004 Star Com Radio Grant
97.067	2005 Citizen Corps Program Grant
97.074	2005 Planning and Policy Grant
97.074	2005 Overtime and Backfill Grant
97.074	2006 Overtime and Backfill Grant
97.067	2007 Overtime and Backfill Grant
97.074	2005 SNS Distribution Team Grant
97.074	2005 Training Grant
97.074	2006 Training Grant
97.067	2007 Training Grant
97.074	2005 Local Law Enforcement Grant
97.074	2006 Management and Administration Grant
97.067	2007 Management and Administration Grant
97.074	2006 Interoperable Communications Grant
97.074	2006 Equipment Grant
97.067	2007 Equipment Grant
97.073	2006 Infrastructure Security Awareness Grant
97.074	2006 Planning/Conference/Workshops Grant
97.067	2007 Planning/Conference/Workshops Grant
97.073	2006 Radiation Detection Grant
97.074	2006 Regional Distribution Site Security Teams Grant
97.074	2006 WMD Special Response Teams Grant
97.067	2007 WMD Special Response Teams Grant
97.074	2006 ICLEAR/Credentialing/SOS Photo Enhancement Grant
97.067	2007 ICLEAR/Credentialing/SOS Photo Enhancement Grant
97.067	2007 Grant Manage and Reconcile Grant
97.067	2007 Business Mutual Aid Grant
97.067	2007 Mobile Field Force Grant
97.067	2007 Training and Outreach Coordinator Grant
11.555	2007 Communications Plan Developer Grant

**Dollar threshold used to distinguish between
Type A and Type B programs:**

\$ 300,000

Auditee qualified as low-risk auditee:

 yes X no

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008

Section II - Financial Statements Findings

Finding Number: 2008-01

Federal Department: U.S. Department of Homeland Security
CFDA Number: 97.074, 97.067
Program Name: Management and Administration Grant

1. Condition:

All personnel are paid as independent contractors.

2. Criteria/specific requirements:

The Internal Revenue has specific facts in the determination of an employee or an independent contractor.

3. Questioned Costs:

4. Cause:

Management not aware if grant funds can be used for employee salaries.

5. Effect:

The organization could be liable for payroll taxes to Internal Revenue Service if personnel are determined to be employees.

6. Recommendation:

Review publication 15-A section two on who is considered an employee or independent contractor. Form SS-8 can be filed with the Internal Revenue Service for determination of the status of a worker for the purpose of federal employment taxes and income tax withholding.

7. Management's Response:

Management has consulted an attorney to review employee and independent contractor determination and grant requirements.

Section III – Federal Award Findings and Questioned Costs

FINDING NO. 2008-1

See Section II – Financial Statement Findings No. 2008-01

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2008

Finding Number 2007-1

Condition:

The general ledger system maintained by the Organization does not specifically identify individual federal program receipts and disbursements for all programs. Currently, a majority of the federal funds received and expended by the Organization are not specifically identified in the general ledger of the Organization as to what federal program the funds and expenditures belong.

Current Status:

A financial officer has been hired to oversee accounting system and grant reconciliation. No similar findings were noted in the 2008 audit.