

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

JUNE 30, 2010

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, 2010, 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, 2010, 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 June 28, 2011 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.

Jess & Jess L.L.P.

June 28, 2011

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
STATEMENT OF NET ASSETS
June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 53,776	\$ 465,124	\$ 518,900
Accounts receivable		7,352	7,352
Grants receivable	1,113,959		1,113,959
Merchandise inventory		2,382	2,382
Due from Governmental Fund		43,212	43,212
Prepaid expenses	899,000	11,740	910,740
Deposits	193	5,100	5,293
Capital assets net of depreciation:			
Leasehold improvements	1,399,083		1,399,083
Equipment	293,706		293,706
Vehicles	29,447		29,447
Total Assets	3,789,164	534,910	4,324,074
Liabilities			
Due to Proprietary Fund	43,212		43,212
Accounts payable	1,085,220	2,121	1,087,341
Total Liabilities	1,128,432	2,121	1,130,553
Net Assets			
Invested in capital assets	1,722,236		1,722,236
Unrestricted	938,496	532,789	1,471,285
Total Net Assets	\$ 2,660,732	\$ 532,789	\$ 3,193,521

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, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Management and administration	\$ 503,669		\$ 472,462	\$ (31,207)		\$ (31,207)
Task force equipment	793,112		1,014,274	221,162		221,162
Planning, conferences, training and workshops	7,833,494		7,949,456	115,962		115,962
Credentialing	3,501,243		3,038,717	(462,526)		(462,526)
Total governmental activities	12,631,518		12,474,909	(156,609)		(156,609)
Business-type Activity:						
Administration and conferences	903,899	\$ 1,095,146	10,780		\$ 202,027	202,027
Total business-type activity	903,899	1,095,146	10,780		202,027	202,027
Total primary government	\$13,535,417	\$ 1,095,146	\$ 12,485,689	(156,609)	202,027	45,418
General Revenues:						
Interest income					2,263	2,263
Total general revenues					2,263	2,263
Change in net assets				(156,609)	204,290	47,681
Net assets - beginning				2,817,341	328,499	3,145,840
Net assets - ending				\$ 2,660,732	\$ 532,789	\$ 3,193,521

The accompanying notes are an integral part of these financial statements

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2010

	General Fund	Total Governmental Fund
Assets		
Cash and cash equivalents	\$ 53,776	\$ 53,776
Grants receivable	1,113,959	1,113,959
Prepaid expenses	899,000	899,000
Other	193	193
Total Assets	<u>2,066,928</u>	<u>2,066,928</u>
Liabilities		
Due to Proprietary Fund	43,212	43,212
Accounts payable	<u>1,085,220</u>	<u>1,085,220</u>
Total Liabilities	<u>1,128,432</u>	<u>1,128,432</u>
Fund Balance		
Unreserved	<u>938,496</u>	<u>938,496</u>
Total Fund Balance	<u>938,496</u>	<u>938,496</u>
Total Liabilities and Fund Balance	<u>2,066,928</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 \$2,151,591, net of accumulated depreciation of \$429,355, are not financial resources and therefore, are not reported in the funds.

	1,722,236
Net assets of governmental activities	<u>\$ 2,660,732</u>

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2010

Reconciliation to Statement of Activities:

Net change in fund balance - governmental fund	\$ 5,273
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 depreciation (\$173,231) exceeded capital outlays (\$11,350) in the current period.	(161,881)
Change in Net Assets of Governmental Activities	<u>\$ (156,608)</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, 2010

	<u>General Fund</u>
Revenues:	
Federal sources:	
Grants-in-aid	<u>\$ 12,404,685</u>
State sources:	
Grants-in-aid	<u>70,225</u>
Total revenues	<u>12,474,910</u>
Expenditures:	
Current:	
Management and Administration	503,669
Training and reimbursements	12,127,849
Net capital outlay (current purchases less applicable current depreciation)	<u>(161,881)</u>
Total Expenditures	<u>12,469,637</u>
Increase of revenues over expenditures	5,273
Fund balance at beginning of year	<u>933,223</u>
Fund balance at end of year	<u><u>\$ 938,496</u></u>

The accompanying notes are an integral part of these financial statements

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS (BUSINESS-TYPE ACTIVITIES)
June 30, 2010

	Business Fund	Foundation Fund	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 428,524	\$ 36,600	\$ 465,124
Accounts receivable	7,352		7,352
Merchandise inventory		2,382	2,382
Due from Governmental Fund	43,212		43,212
Due from ILEAS Foundation	33,000		33,000
Due from IESMA	5,100		5,100
Prepaid insurance	11,740		11,740
Total Assets	<u>528,928</u>	<u>38,982</u>	<u>567,910</u>
Liabilities:			
Current Liabilities			
Accounts payable	1,672	449	2,121
Due to Business Fund		33,000	33,000
Total Liabilities	<u>1,672</u>	<u>33,449</u>	<u>35,121</u>
Net Assets			
Unrestricted	527,256	5,533	532,789
Total Liabilities and Net Assets	<u>\$ 528,928</u>	<u>\$ 38,982</u>	<u>\$ 567,910</u>

The accompanying notes are a part of these financial statements

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS (BUSINESS-TYPE ACTIVITIES)
For the Year Ended June 30, 2010

	<u>Business Fund</u>	<u>Foundation Fund</u>	<u>Total</u>
Operating Revenues:			
Membership dues	\$ 70,300		\$ 70,300
Conferences	82,343	21,803	104,146
Contributions	-	10,780	10,780
Management services income	766,002		766,002
Training Center income	46,055		46,055
Training Center lease income	108,122		108,122
Miscellaneous income	521		521
Interest income	2,263		2,263
Total Operating Income	<u>1,075,606</u>	<u>32,583</u>	<u>1,108,189</u>
Operating Expenses:			
Conference expenses	19,664	5,462	25,126
General administrative expenses	32,804		32,804
Management services expenses	749,080		749,080
Training Center expenses	48,072		48,072
Advertising and promotion	11,188	453	11,641
Office expense	2,061	658	2,719
Insurance	7,384	1,877	9,261
Contract services	449	18,600	19,049
Repair and maintenance	3,670		3,670
Travel	2,477		2,477
Total Operating Expenses	<u>876,849</u>	<u>27,050</u>	<u>903,899</u>
Net Operating Revenues	<u>198,757</u>	<u>5,533</u>	<u>204,290</u>
Change in Net Assets	198,757	5,533	204,290
Total Net Assets - Beginning	<u>328,499</u>	<u>-</u>	<u>328,499</u>
Total Net Assets - Ending	<u>\$ 527,256</u>	<u>\$ 5,533</u>	<u>\$ 532,789</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, 2010

	Business Fund	Foundation Fund	Total
Cash Flows From Operating Activities			
Conference income	\$ 82,343	\$ 19,421	\$ 101,764
Membership dues	70,300		70,300
Management services	769,579		769,579
Contributions		10,780	10,780
Training Center lease income	112,002		112,002
Training Center income	30,823		30,823
All other income	4,371		4,371
Payment to suppliers	(886,917)	(26,601)	(913,518)
Net cash provided by operating activities	182,501	3,600	186,101
Cash flows from investing activities			
Interest	2,263		2,263
Net cash provided by investing activities	2,263	3,600	5,863
Cash flows from financing activities			
Payments to Governmental Fund and Affiliate	(663,760)		(663,760)
Payments from Governmental Fund and Affiliate	583,658	33,000	616,658
Net cash used in financing activities	(80,102)	33,000	(47,102)
Net increase in cash and cash equivalents	104,662	36,600	141,262
Balance - beginning of year	323,862	-	323,862
Balance - end of year	<u>\$ 428,524</u>	<u>\$ 36,600</u>	<u>\$ 465,124</u>
Reconciliation of operating income to net cash provided by operating activities:			
Total income	\$ 198,757	\$ 5,533	\$ 204,290
Less interest income	(2,263)	-	(2,263)
Operating income	196,494	5,533	202,027
Change in assets:			
Membership dues receivable	42,375		42,375
Merchandise inventory		(2,382)	(2,382)
Prepaid insurance	(11,740)		
Accounts payable	1,672	449	2,121
Deferred revenues	(46,300)		(46,300)
Net cash provided by operating activities	<u>\$ 182,501</u>	<u>\$ 3,600</u>	<u>\$ 186,101</u>

The accompanying notes are an integral part of these financial statements

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Notes to Financial Statements
June 30, 2010

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, 2010 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, 2010

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 Funds – There are two proprietary funds that are used to account for business-type activities provided through the Organization. A business account was established to record activities financed primarily by conferences, management services and other non-grant related activities. In addition the Illinois Law Enforcement Alarm System Foundation was created. The Foundation is a tax-exempt organization under section 501 (c) (3) of the Internal Revenue Code and any contributions received is tax deductible under section 170 of the code and is not a private foundation.

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

Custodial credit risk for deposits is the risk that, in event of a bank failure, the deposits of ILEAS might not be recovered. As of June 30, 2010, \$416,703 of its bank balance of \$863,284 exceeded the federal insured limits.

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Notes to Financial Statements
June 30, 2010

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, 2010 was \$29,895.

NOTE 5 - CONTIGENCIES

Litigation

As of June 30, 2010, ILEAS did not have any pending litigation or potential nondisclosed liabilities.

NOTE 6 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 28, 2011, the date which the financial statements were available to be issued.

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Notes to Financial Statements
June 30, 2010

NOTE 7 - CAPITAL ASSETS

Capital assets for the year ending June 30, 2010 is as follows:

	Balance at July 1, 2009	Additions	Deductions	Balance at June 30, 2010
Governmental Activities:				
Capital assets:				
Leasehold improvements	\$ 1,630,000		\$ -	\$ 1,630,000
Equipment	465,624	11,350	-	476,974
Vehicle	44,617		-	44,617
Total capital assets	<u>2,140,241</u>	<u>11,350</u>	<u>-</u>	<u>2,151,591</u>
Less accumulated depreciation for:				
Leasehold improvements	149,417	81,500	-	230,917
Equipment	97,604	85,663	-	183,267
Vehicles	9,102	6,068	-	15,170
Total accumulated depreciation	<u>256,123</u>	<u>173,231</u>	<u>-</u>	<u>429,354</u>
Government activities capital assets, net	<u>1,884,118</u>	<u>(161,881)</u>	<u>-</u>	<u>1,722,237</u>

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

Governmental Activities:	
Training Center	173,231
Total governmental activities depreciation expense	<u>\$ 173,231</u>

NOTE 8 - 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 lease payment of \$1,200,000. The lease provides ILEAS with two options of three years each to enter into a new lease agreement.

On April 1, 2009 the original lease was amended and extended to December 31, 2011. On November 1, 2009 a new lease amendment extends the lease until December 31, 2012. In consideration for the lease extension, ILEAS will pay \$419,000. The original "OPTION TO REOPEN" will continue in force starting with two-three year options to reopen; the first three year option beginning on January 1, 2013.

A schedule of prepaid lease payments and lease expense is as follows:

Year Ended	Lease Expense	Prepaid Lease
June 30, 2010	360,000	899,000
June 30, 2011	330,000	569,000
June 30, 2012	359,500	209,500
June 30, 2013	209,500	-

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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, 2010, which collectively comprise Illinois Law Enforcement Alarm System's basic financial statements and have issued our report thereon dated June 28, 2011. 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs (item 2010-01) that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 2010-01.

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.

Jagg & Jagg L.L.P.

June 28, 2011

LEGG & LEGG, LLP

Certified Public Accountants

Billy L. Legg, CPA

James C. Legg, CPA

INDEPENDENT AUDITOR'S 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 Illinois Law Enforcement Alarm System's compliance 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, 2010. 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 referred to above 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 identified in the accompanying schedule of findings and questioned costs 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 identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those compliance requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-01

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 compliance requirements referred to above. 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, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 the responses.

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.

June 28, 2011

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

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:			
2006 Chemical Buffer Zone Protection	97.078	906CBZILEAS	339,500
2006 Chemical Buffer Zone Protection	97.078	006CBZILEA2	268,884
2006 Behavioral Threat Assessment	97.073	006ILEASBT2	6,365
2006 Behavioral Threat Assessment	97.073	906ILEASBTA	3,635
2006 Mobile Data Computers	97.067	006ILEASMDC	42,292
2007 Evacuation Planning Tool	97.067	007ILEASEVA	58,584
2008 Equipment	97.067	008ILEASEQU	558,767
2006 Planning	97.074	006ILEASPLA	93,825
2007 Planning	97.067	007ILEASPLA	66,287
2008 Planning	97.067	008ILEASPLA	357,881
2006 Radiation Detection	97.073	906ILEASRAD	360
2007 Radiation Detection	97.067	007ILEASRAD	1,944,612
2006 Training	97.074	906ILEASTRN	200
2007 Training	97.067	007ILEASTRN	34,347
2008 Training	97.067	008ILEASTRN	484,635
2007 Special Response Teams	97.067	007ILEASSRT	65,707
2009 Mutual Aid/Statewide Teams	97.067	009ILEASSRT	1,062,034
2006 ICLEAR/Credentialing	97.073	006ILICLEAR	592,325
2007 ICLEAR/Credentialing	97.067	007ILICLEAR	337,950
2008 ICLEAR/Credentialing	97.067	008ILICLEAR	2,110,487
2007 Management and Administration	97.067	007ILEASADM	3,450
2008 Management and Administration	97.067	008ILEASADM	226,034
2009 Management and Administration	97.067	009ILEASADM	186,133
2007 Exercise	97.067	907ILEASEXC	626
2007 Exercise	97.067	907ILEASEX2	888
2007 Exercise	97.067	007ILEASEX2	350

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	
2007 Mobile Field Force	97.067	007ILEASMFF	370,077
2008 Mobile Field Force	97.067	008ILEASMFF	88,835
2008 Overtime and Backfill Grant	97.067	008ILEASOTB	1,033,581
2008 Business Mutual Aid	97.067	008ILEASBMA	88,153
2008 IESMA Planning	97.067	008IESMAPLA	55,183
2008 SRT Equipment Maintenance	97.067	008ILWMDSRT	178,157
2008 Management and Administration	97.067	008ILEASACC	28,326
2008-09 Emergency Management Assistance Exercise	97.042	00709EMAILE	22,500
2008 IESMA Emergency Ops Center Technology	97.067	908IESMAEOC	11,825
2008 School Safety	97.067	008ILEASSEC	138,204
2009 K-12 & Campus Security W/S and Assessments	97.067	009ILEASSEC	76,732
2008 Interoperable Emergency Communications	97.001	0008ILIECGP	20,582
2009 Interoperable Emergency Communications	97.001	0009IECGPIL	182
2009 Interoperable Emergency Communications	97.001	009IECGPILE	21,468
2009 Emergency Management Conference and Programs	97.067	009ILEASCON	16,900
2009 ICLEAR/Credentialing	97.067	0009ILECRED	353,516
2009 IT and Data Transmission Through Fiber	97.067	009ILEFIBER	50,000
2009 Great Lakes Homeland Security Consortium	97.067	009ILEGLHSC	94
2009 Public Safety Intelligence Fusion	97.067	009ILEINTEL	90,621
2009 Disaster Alert Radios for Public Entities	97.067	009ILERADIO	135,000
2009 Urban Area Mobil Field Force	97.067	0009UASILEA	60,114
Total U.S. Department of Homeland Security			<u>11,686,208</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>11,686,208</u></u>

**ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED JUNE 30, 2010**

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>
97.001	42,232
97.067	10,316,382
97.042	22,500
97.073	602,685
97.074	94,025
97.078	<u>608,384</u>

Total Expenditures of Federal Awards by CFDA Number. \$ 11,686,208

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, 2010

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, 2010
Identification of major programs:

CFDA Number (s)	Name of Federal Program or Cluster
97.078	2006 Chemical Buffer Zone Protection
97.073	2006 Behavioral Threat Assessment
97.067	2006 Mobile Data Computers
97.067	2007 Evacuation Planning Tool
97.067	2008 Equipment
97.074	2006 Planning
97.067	2007 Planning
97.067	2008 Planning
97.073	2006 Radiation Detection
97.067	2007 Radiation Detection
97.074	2006 Training
97.067	2007 Training
97.067	2008 Training
97.067	2007 Special Response Teams
97.067	2009 Mutual Aid/Statewide Teams
97.073	2006 ICLEAR/Credentialing
97.067	2007 ICLEAR/Credentialing
97.067	2008 ICLEAR/Credentialing
97.067	2007 Management and Administration
97.067	2008 Management and Administration
97.067	2009 Management and Administration
97.067	2007 Exercise
97.067	2007 Mobile Field Force
97.067	2008 Mobile Field Force
97.067	2008 Overtime and Backfill Grant
97.067	2008 Business Mutual Aid
97.067	2008 IESMA Planning Grant
97.067	2008 SRT Equipment Maintenance
97.067	2008 Management and Administration
97.042	2008-09 Emergency Management Assistance Exercise
97.067	2008 IESMA Emergency Ops Center Technology
97.067	2008 School Safety
97.067	2009 K-12 & Campus Security W/S and Assessments
97.001	2008 Interoperable Emergency Communications
97.001	2009 Interoperable Emergency Communications
97.067	2009 Emergency Management Conference and Programs
97.067	2009 ICLEAR/Credentialing
97.067	2009 IT and Data Transmission Through Fiber
97.067	2009 Great Lakes Homeland Security Consortium
97.067	2009 Public Safety Intelligence Fusion
97.067	2009 Disaster Alert Radios for Public Entities
97.067	2009 Urban Area Mobil Field Force

**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, 2010

Section II - Financial Statements Findings

Finding Number: 2010-01

Federal Department: U.S. Department of Homeland Security
CFDA Number: 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. Management will be implementing an employee payroll system by August 31, 2011.

Section III – Federal Award Findings and Questioned Costs

FINDING NO. 2010-01

See Section II – Financial Statement Findings No. 2010-01

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2010

Finding Number 2009-01

Repeated in current year. See Finding 2010-01.