

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

JUNE 30, 2011

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

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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, 2011, 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, 2011, and the respective changes in financial position, and where applicable cash flows, 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 October 19, 2012 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 should be considered in 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 financial statements as a whole. 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 also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

Jgg & Jgg L.L.P.

October 19, 2012

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 246,576	\$ 605,952	\$ 852,528
Accounts receivable		10,100	10,100
Grants receivable	700,607		700,607
Mobile Homes		13,218	13,218
Merchandise inventory		4,216	4,216
Due from Governmental Fund		45,228	45,228
Prepaid expenses	988,000	13,305	1,001,305
Deposits		5,100	5,100
Dues receivable		3,000	3,000
Capital assets net of depreciation:			
Leasehold improvements	1,317,583		1,317,583
Equipment	216,289		216,289
Vehicles	30,761		30,761
Total Assets	3,499,816	700,119	4,199,935
Liabilities			
Due to Proprietary Fund	45,228		45,228
Accounts payable	668,786	1,704	670,490
Deferred revenue	193,332	64,483	257,815
Accrued insurance		3,367	3,367
Total Liabilities	907,346	69,554	976,900
Net Assets			
Invested in capital assets	1,564,633		1,564,633
Unrestricted	1,027,837	630,565	1,658,402
Total Net Assets	\$ 2,592,470	\$ 630,565	\$ 3,223,035

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, 2011

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	\$ 502,434		\$ 495,314	\$ (7,120)		\$ (7,120)
Task force equipment	8,064,626		8,064,572	(54)		(54)
Planning, conferences, training and workshops	8,179,942		8,118,668	(61,274)		(61,274)
Credentialing	961,346		961,532	186		186
Total governmental activities	17,708,348		17,640,086	(68,262)		(68,262)
Business-type Activity:						
Administration and conferences	314,538	\$ 400,008	10,575		\$ 96,045	96,045
Total business-type activity	314,538	400,008	10,575		96,045	96,045
Total primary government	\$ 1,802,286	\$ 400,008	\$ 17,650,661	(68,262)	96,045	27,783
General Revenues:						
Interest income					1,731	1,731
Total general revenues					1,731	1,731
Change in net assets				(68,262)	97,776	29,514
Net assets - beginning				2,660,732	532,789	3,193,521
Net assets - ending				\$ 2,592,470	\$ 630,565	\$ 3,223,035

The accompanying notes are an integral part of these financial statements

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2011

	General Fund	Total Governmental Fund
Assets		
Cash and cash equivalents	\$ 246,576	\$ 246,576
Grants receivable	700,607	700,607
Prepaid expenses	988,000	988,000
Other		
Total Assets	<u>1,935,183</u>	<u>1,935,183</u>
Liabilities		
Deferred revenue	193,332	193,332
Due to Proprietary Fund	45,228	45,228
Accounts payable	<u>668,786</u>	<u>668,786</u>
Total Liabilities	<u>907,346</u>	<u>907,346</u>
Fund Balance		
Unreserved	<u>1,027,837</u>	<u>1,027,837</u>
Total Fund Balance	<u>1,027,837</u>	1,027,837
Total Liabilities and Fund Balance	<u>1,935,183</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 \$2,144,916, net of accumulated depreciation of \$580,283, are not financial resources and therefore, are not reported in the funds.		1,564,633
Net assets of governmental activities		<u>\$ 2,592,470</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 BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2011

Reconciliation to Statement of Activities:

Net change in fund balance - governmental fund	\$ 89,341
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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 (\$173,953) and capital dispositions (\$26,412) exceeded capital outlays (\$42,762) in the current period.

(157,603)

Change in Net Assets of Governmental Activities

<u>\$ (68,262)</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, 2011

	<u>General Fund</u>
Revenues:	
Federal sources:	
Grants-in-aid	\$ 17,575,086
State sources:	
Grants-in-aid	65,000
Total revenues	<u>17,640,086</u>
Expenditures:	
Current:	
Management and Administration	502,434
Training and reimbursements	17,205,914
Net capital outlay (current purchases-dispositions less applicable current depreciation)	<u>(157,603)</u>
Total Expenditures	<u>17,550,745</u>
Increase of revenues over expenditures	89,341
Fund balance at beginning of year	<u>938,496</u>
Fund balance at end of year	<u>\$ 1,027,837</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, 2011

	Business Fund	Foundation Fund	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 580,573	\$ 25,379	\$ 605,952
Accounts receivable	10,100		10,100
Mobile homes		13,218	13,218
Merchandise inventory		4,216	4,216
Due from Governmental Fund	45,228		45,228
Due from ILEAS Foundation	33,000		33,000
Due from IESMA	5,100		5,100
Dues recievable	3,000		3,000
Prepaid expenses	13,305		13,305
Total Assets	<u>690,306</u>	<u>42,813</u>	<u>733,119</u>
Liabilities:			
Current Liabilities			
Accounts payable	467	1,237	1,704
Deferred revenue	64,483		64,483
Accrued insurance	3,367		3,367
Due to Business Fund		33,000	33,000
Total Liabilities	<u>68,317</u>	<u>34,237</u>	<u>102,554</u>
Net Assets			
Unrestricted	621,989	8,576	630,565
Total Liabilities and Net Assets	<u>\$ 690,306</u>	<u>\$ 42,813</u>	<u>\$ 733,119</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, 2011

	<u>Business Fund</u>	<u>Foundation Fund</u>	<u>Total</u>
Operating Revenues:			
Membership dues	\$ 44,273		\$ 44,273
Conferences	86,275	\$ 24,975	111,250
Contributions		10,575	10,575
Management services income	36,592		36,592
Training Center income	33,371		33,371
Training Center lease income	160,078		160,078
Miscellaneous income	14,444		14,444
Interest income	1,731		1,731
Total Operating Income	<u>376,764</u>	<u>35,550</u>	<u>412,314</u>
Operating Expenses:			
Conference expenses	28,430	29,896	58,326
General administrative expenses	109,238		109,238
Management services expenses	40,401		40,401
Training Center expenses	43,047		43,047
Advertising and promotion	5,903		5,903
Office expense	2,353	734	3,087
Insurance	14,855	1,877	16,732
Contract services	18,548		18,548
Repair and maintenance	17,420		17,420
Travel	1,836		1,836
Total Operating Expenses	<u>282,031</u>	<u>32,507</u>	<u>314,538</u>
Net Operating Revenues	<u>94,733</u>	<u>3,043</u>	<u>97,776</u>
Change in Net Assets	94,733	3,043	97,776
Total Net Assets - Beginning	<u>527,256</u>	<u>5,533</u>	<u>532,789</u>
Total Net Assets - Ending	<u>\$ 621,989</u>	<u>\$ 8,576</u>	<u>\$ 630,565</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, 2011

	Business Fund	Foundation Fund	Total
Cash Flows From Operating Activities			
Conference income	\$ 86,275	\$ 24,975	\$ 111,250
Membership dues	41,273		41,273
Management services	36,592		36,592
Contributions		10,575	10,575
Training Center lease income	226,681		226,681
Training Center income	28,503		28,503
All other income	14,444		14,444
Payment to suppliers	(281,434)	(33,553)	(314,987)
Net cash provided by operating activities	152,334	1,997	154,331
Cash flows from investing activities			
Interest	1,731		1,731
Purchase of property		(13,218)	(13,218)
Net cash provided (used) by investing activities	1,731	(13,218)	(11,487)
Cash flows from financing activities			
Payments to Governmental Fund and Affiliate	(20,755)		(20,755)
Payments from Governmental Fund and Affiliate	18,739		18,739
Net cash used in financing activities	(2,016)		(2,016)
Net increase in cash and cash equivalents	152,049	(11,221)	140,828
Balance - beginning of year	428,524	36,600	465,124
Balance - end of year	\$ 580,573	\$ 25,379	\$ 605,952
Reconciliation of operating income to net cash provided by operating activities:			
Total income	\$ 94,733	\$ 3,043	\$ 97,776
Less interest income	(1,731)		(1,731)
Operating income	93,002	3,043	96,045
Change in assets:			
Membership dues receivable	(3,000)		(3,000)
Accounts receivable	(2,748)		(2,748)
Prepaid expenses	(1,565)		(1,565)
Merchandise inventory		(1,834)	(1,834)
Accounts payable	(1,205)	788	(417)
Accrued insurance	3,367		3,367
Deferred revenues	64,483		64,483
Net cash provided (used) by operating activities	\$ 152,334	\$ 1,997	\$ 154,331

The accompanying notes are an integral part of these financial statements

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Notes to Financial Statements
June 30, 2011

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 on 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, 2011 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, 2011

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, 2011, \$960,911 of its bank balance of \$1,210,911 exceeded the federal insured limits.

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Notes to Financial Statements
June 30, 2011

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, 2011 was \$31,014.

NOTE 5 - CONTINGENCIES

Litigation

As of June 30, 2011, ILEAS did not have any pending litigation or potential nondisclosed liabilities.

NOTE 6 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 19, 2012, the date which the financial statements were available to be issued.

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Notes to Financial
Statements
June 30, 2011

NOTE 7 - CAPITAL ASSETS

Capital assets for the year ending June 30, 2011 is as follows:

	Balance at June 30, 2010	Additions	Deductions	Balance at June 30, 2011
Governmental Activities:				
Capital assets:				
Leasehold improvements	\$ 1,630,000	\$ -	\$ -	\$ 1,630,000
Equipment	476,974	16,930	12,050	481,854
Vehicle	44,617	33,062	44,617	33,062
Total capital assets	<u>2,151,591</u>	<u>49,992</u>	<u>56,667</u>	<u>2,144,916</u>
Less accumulated depreciation for:				
Leasehold improvements	230,917	81,500	-	312,417
Equipment	183,267	87,118	4,820	265,565
Vehicles	15,170	5,335	18,204	2,301
Total accumulated depreciation	<u>429,354</u>	<u>173,953</u>	<u>23,024</u>	<u>580,283</u>
Government activities capital assets, net	<u>1,722,237</u>	<u>(123,961)</u>	<u>33,643</u>	<u>1,564,633</u>

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

Governmental Activities:	
Training Center	173,953
Total governmental activities depreciation expense	<u>\$ 173,953</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 was to expire 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, 2011	330,000	988,000
June 30, 2012	359,500	628,500
June 30, 2013	419,000	209,500
June 30, 2014	209,500	-

LEGG & LEGG, LLP

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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, 2011, which collectively comprise Illinois Law Enforcement Alarm System's basic financial statements and have issued our report thereon dated October 19, 2012. 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

Management of Illinois Law Enforcement Alarm System is responsible for establishing and maintaining effective 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.

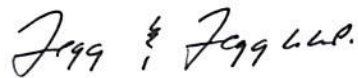
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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 that we consider to be significant deficiencies in internal control over financial reporting (item 2011-01). *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 2011-01.

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.



October 19, 2012

LEGG & LEGG, LLP

Certified Public Accountants

Billy L. Legg, CPA

James C. Legg, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Illinois Law Enforcement Alarm Systems major federal programs for the year ended June 30, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 2011-01

Internal Control over Compliance

Management of Illinois Law Enforcement Alarm System is responsible for establishing and maintaining effective internal control over compliance with the compliance 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 the 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 over compliance that might be deficiencies, significant deficiencies, or material weaknesses. 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 LLP

October 19, 2012

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

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 Program	97.078	006CBZILEA2	65,239
Total			65,239
2007 State Homeland Security Program	97.067	007ILEARAD2	260,370
		107ILEARAD3	29,640
		107ILEITECS	35,902
2008 State Homeland Security Program	97.067	108IESMAEQU	325,695
		108IESMAPLA	64,710
		108ILEASACC	7,069
		108ILEASADM	19,296
		108ILEASBMA	125,576
		108ILEASEQU	2,447,594
		108ILEASMFF	346,840
		108ILEASOTB	284,435
		108ILEASPLA	106,723
		108ILEASSEC	1,086
		108ILEASTRN	140,634
		108ILEIMERT	250,149
		108ILEIMER2	7,501
		108ILICLEAR	481,697
		108ILWMDSRT	801,488
2009 State Homeland Security Program	97.067	009ILEASADM	293,463
		109ILEASBMA	18,138
		109ILEASCON	236,475
		109ILEASEDU	3,286
		109ILEASEOC	1,932,829
		109ILEASEXE	48,022
		109ILEASGEN	1,466,745
		109ILEASIMT	54,563
		109ILEAPRND	27,827
		109ILEASSEC	135,338
		109ILEASSRT	3,471,954

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
2009 State Homeland Security Program	97.067	0009ILECRED	389,743
		109ILEFIBER	190,798
		009ILEGLHSC	137
		109ILEINTEL	25,945
		009ILEPORTS	40,000
		109ILRADIO2	140,491
2010 State Homeland Security Program	97.067	110ILEASCON	4,716
		110ILEASADM	208,852
		1010ILICRED	284,121
		1101ILEASEOC	839
		110ILEASEQU	615
		110ILEASLMS	53,119
		110ILEASOTB	243,463
		110ILEASSEC	7,150
		110ILEASSRT	1,100,685
		110ILEASSTR	282,304
		110ILEEMNET	59,924
		110ILEIMERT	88,719
		110ILIPWMAN	452,771
2007 Law Enforcement Terrorism Protection Program	97.067	007ILEASMFF	288
		007ILEASTIC	78,290
		107ILEASTIC2	6,710
2009 Urban Area Security Initiative	97.067	109UASIILEA	334,886
2010 Urban Area Security Initiative	97.067	110UASIILEA	90,281
Total			<u>17,509,892</u>
2009 Interoperable Emergency Communications Program	97.001	109IECGPPILE	<u>365,830</u>
Total			<u>365,830</u>
Total U.S. Department of Homeland Security			<u>17,940,961</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>17,940,961</u></u>

**ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED JUNE 30, 2011**

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	365,830
97.067	17,509,892
97.078	<u>65,239</u>
Total Expenditures of Federal Awards by CFDA Number	<u>\$ 17,940,961</u>

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, 2011

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, 2011

Identification of major programs:

CFDA Number (s)	Name of Federal Program or Cluster
97.078	Chemical Buffer Zone Protection Program
97.067	State Homeland Security Program
97.067	Law Enforcement Terrorism Protection Program
97.067	Urban Area Security Initiative
97.001	Interoperable Emergency Communications Program

**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, 2011

Section II - Financial Statements Findings

Finding Number: 2011-01

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 implemented an employee payroll system on January 1, 2012.

Section III – Federal Award Findings and Questioned Costs

FINDING NO. 2010-01

See Section II – Financial Statement Findings No. 2011-01

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2011

Finding Number 2010-01

Repeated in current year. See Finding 2011-01.