

**ILLINOIS LAW ENFORCEMENT ALARM SYSTEM**

**AUDITED FINANCIAL REPORT**

**JUNE 30, 2013**

**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

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Billy L. Legg, CPA

James C. Legg, CPA

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Illinois Law Enforcement Alarm System

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the business-type activities of Illinois Law Enforcement Alarm System as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities, of the Illinois Law Enforcement Alarm System, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Management has omitted management discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### Other Information

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 30, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Illinois Law Enforcement Alarm System's internal control over financial reporting and compliance.

*Jerry L. L.L.P.*

Springfield, IL

December 30, 2013

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
STATEMENT OF NET ASSETS  
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 109,623	\$ 545,168	\$ 654,791
Amounts due from contracts		181,482	181,482
Grants receivable	825,016		825,016
Dues receivable		106,085	106,085
Merchandise inventory		5,661	5,661
Due from Governmental Fund		159,377	159,377
Prepaid expenses	209,500	12,701	222,201
Capital assets net of depreciation:			
Leasehold improvements	1,154,582		1,154,582
Equipment	73,592		73,592
Vehicles	41,700		41,700
Total Assets	<u>2,414,013</u>	<u>1,010,474</u>	<u>3,424,487</u>
<b>Liabilities</b>			
Due to Proprietary Fund	159,377		159,377
Accounts payable	731,823	136,516	868,339
Deferred revenue	4,379	30,183	34,562
Total Liabilities	<u>895,579</u>	<u>166,699</u>	<u>1,062,278</u>
<b>Net Assets</b>			
Invested in capital assets	1,269,874		1,269,874
Restricted for:			
Lease commitments	209,500		209,500
Grant projects	39,060		39,060
Unrestricted		843,775	843,775
Total Net Assets	<u>\$ 1,518,434</u>	<u>\$ 843,775</u>	<u>\$ 2,362,209</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, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
<b>Primary Government:</b>						
Governmental Activities:						
Management and administration	\$ 236,550		\$ 213,732	\$ (22,818)		\$ (22,818)
Task force equipment	2,815,511		3,985,010	1,169,499		1,169,499
Planning, conferences, training and workshops	7,661,416		5,909,242	(1,752,174)		(1,752,174)
Credentialing	609,648		653,485	43,837		43,837
Total governmental activities	<u>11,323,125</u>		<u>10,761,469</u>	<u>(561,656)</u>		<u>(561,656)</u>
<b>Business-type Activity:</b>						
Administration and projects	360,453	\$ 533,112	7,449		\$ 180,108	180,108
Total business-type activity	<u>360,453</u>	<u>533,112</u>	<u>7,449</u>		<u>180,108</u>	<u>180,108</u>
<b>Total primary government</b>	<b>\$11,683,578</b>	<b>\$ 533,112</b>	<b>\$ 10,768,918</b>	<b>(561,656)</b>	<b>180,108</b>	<b>(381,548)</b>
<b>General Revenues:</b>						
Interest income					1,216	1,216
Total general revenues					<u>1,216</u>	<u>1,216</u>
Change in net assets				(561,656)	181,324	(380,332)
Net assets - beginning				2,080,090	662,451	2,742,541
Net assets - ending				<u>\$ 1,518,434</u>	<u>\$ 843,775</u>	<u>\$ 2,362,209</u>

The accompanying notes are an integral part of these financial statements



ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
BALANCE SHEET  
GOVERNMENTAL FUND  
June 30, 2013

	General Fund	Total Governmental Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 109,623	\$ 109,623
Grants receivable	825,016	825,016
Prepaid lease	209,500	209,500
Total Assets	<u>1,144,139</u>	<u>1,144,139</u>
<b>Liabilities</b>		
Deferred revenue	4,379	4,379
Due to Proprietary Fund	159,377	159,377
Accounts payable	731,823	731,823
Total Liabilities	<u>895,579</u>	<u>895,579</u>
<b>Fund Balance</b>		
Restricted for:		
Lease commitments	209,500	209,500
Grant projects	39,060	39,060
Total Fund Balance	<u>248,560</u>	<u>248,560</u>
Total Liabilities and Fund Balance	<u>1,144,139</u>	
<b>Reconciliation to Statement of Net Assets:</b>		
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities of \$2,176,643 net of accumulated depreciation of \$906,769, are not financial resources and therefore, are not reported in the funds.		1,269,874
Net assets of governmental activities		<u>\$ 1,518,434</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, 2013**

**Reconciliation to Statement of Activities:**

Net change in fund balance - governmental fund	\$ (421,375)
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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 (\$150,517) exceeded capital outlays (\$10,236) in the current period.	(140,281)
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Change in Net Assets of Governmental Activities	<u>\$ (561,656)</u>
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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, 2013

	<u>General Fund</u>
<b>Revenues:</b>	
Federal sources:	
Grants-in-aid	<u>\$ 10,761,469</u>
Total revenues	<u>10,761,469</u>
<b>Expenditures:</b>	
Current:	
Management and Administration	236,550
Training and reimbursements	11,086,575
Net capital outlay (current purchases less applicable current depreciation)	<u>(140,281)</u>
Total Expenditures	<u>11,182,844</u>
(Decrease) expenditures over revenues	(421,375)
 Fund balance at beginning of year	 <u>669,935</u>
Fund balance at end of year	<u><u>\$ 248,560</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, 2013**

	<b>Business Fund</b>	<b>Foundation Fund</b>	<b>Total</b>
<b>Assets:</b>			
Current Assets			
Cash and cash equivalents	\$ 484,863	\$ 60,305	\$ 545,168
Amounts due from contracts	146,778		146,778
Dues recievable	106,085		106,085
Merchandise inventory		5,661	5,661
Due from Governmental Fund	159,377		159,377
Due from ILEAS Foundation	3,000		3,000
Due from FEMA	34,704		34,704
Prepaid expenses	12,701		12,701
<b>Total Assets</b>	<b>947,508</b>	<b>65,966</b>	<b>1,013,474</b>
<b>Liabilities:</b>			
Current Liabilities:			
Accounts payable	136,350	166	136,516
Deferred revenue	30,183		30,183
Due to Business Fund		3,000	3,000
<b>Total Liabilities</b>	<b>166,533</b>	<b>3,166</b>	<b>169,699</b>
<b>Net Assets:</b>			
Unrestricted	780,975	62,800	843,775
<b>Total Liabilities and Net Assets</b>	<b>\$ 947,508</b>	<b>\$ 65,966</b>	<b>\$1,013,474</b>

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, 2013**

	<u>Business Fund</u>	<u>Foundation Fund</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Membership dues	\$ 105,740		\$ 105,740
Conferences	89,100	\$ 26,876	115,976
Contributions		7,449	7,449
Management services income	145,552		145,552
Training Center income	19,255		19,255
Training Center lease income	124,636		124,636
Gain on sale of inventory		18,276	18,276
All other income	1,647	2,030	3,677
Total Operating Income	<u>485,930</u>	<u>54,631</u>	<u>540,561</u>
<b>Operating Expenses:</b>			
Conference expenses	44,335	5,203	49,538
General administrative expenses	91,558	1,328	92,886
Management services expenses	145,091		145,091
Agency program expenses	3,012		3,012
Advertising and promotion	3,827		3,827
Office expense	8,262		8,262
Insurance	45,073	1,610	46,683
Grants		6,500	6,500
Repair and maintenance	4,654		4,654
Total Operating Expenses	<u>345,812</u>	<u>14,641</u>	<u>360,453</u>
Net Operating Revenues	140,118	39,990	180,108
<b>Nonoperating Revenues:</b>			
Interest income	<u>1,216</u>		<u>1,216</u>
Change in Net Assets	141,334	39,990	181,324
Total Net Assets - Beginning	<u>639,641</u>	<u>22,810</u>	<u>662,451</u>
Total Net Assets - Ending	<u>\$ 780,975</u>	<u>\$ 62,800</u>	<u>\$ 843,775</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, 2013

	<b>Business Fund</b>	<b>Foundation Fund</b>	<b>Total</b>
<b>Cash Flows From Operating Activities:</b>			
Conference income	\$ 89,100	\$ 26,876	\$ 115,976
Membership dues	4,755		4,755
Management services	725,015		725,015
Contributions		7,449	7,449
Training Center lease income	19,255		19,255
Training Center income	66,569		66,569
Sale of inventory		37,697	37,697
All other income	1,647	2,030	3,677
Payment to suppliers	(856,643)	(23,696)	(880,339)
Net cash provided by operating activities	<u>49,698</u>	<u>50,356</u>	<u>100,054</u>
<b>Cash Flows From Investing Activities:</b>			
Interest	1,216		1,216
Net cash provided by investing activities	<u>1,216</u>		<u>1,216</u>
<b>Cash Flows (To) From Financing Activities</b>			
Payments to Governmental Fund and Affiliate	(34,704)	(30,000)	(64,704)
Payments from Governmental Fund and Affiliate	<u>57,387</u>		<u>57,387</u>
Net cash used in financing activities	<u>22,683</u>	<u>(30,000)</u>	<u>(7,317)</u>
Net increase in cash and cash equivalents	73,597	20,356	93,953
Balance - beginning of year	<u>411,266</u>	<u>39,949</u>	<u>451,215</u>
Balance - end of year	<u>\$ 484,863</u>	<u>\$ 60,305</u>	<u>\$ 545,168</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Total income	\$ 141,334	\$ 39,990	\$ 181,324
Less interest income	<u>(1,216)</u>		<u>(1,216)</u>
Operating income	140,118	39,990	180,108
Change in assets:			
Membership dues receivable	(100,985)		(100,985)
Amounts due from contracts	579,463		579,463
Prepaid expenses	620		620
Merchandise inventory		12,345	12,345
Accounts payable	(506,907)	(1,979)	(508,886)
Accrued insurance	(4,544)		(4,544)
Deferred revenues	<u>(58,067)</u>		<u>(58,067)</u>
Net cash provided by operating activities	<u>\$ 49,698</u>	<u>\$ 50,356</u>	<u>\$ 100,054</u>

The accompanying notes are an integral part of these financial statements

**ILLINOIS LAW ENFORCEMENT ALARM SYSTEM**  
**Notes to Financial Statements**  
**June 30, 2013**

**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.

The Organization's financial statements are prepared in accordance with generally accepted accounting principals (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies in GAAP and used by ILEAS are discussed below.

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 staff 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, 2013 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.



**ILLINOIS LAW ENFORCEMENT ALARM SYSTEM**  
**Notes to Financial Statements**  
**June 30, 2013**

**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.

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 to fund increased training and exercises for Illinois law enforcement agencies, to further the education and to sharpen skills of police officers, sheriff's deputies, and other law enforcement personnel with regard to Homeland Security. The Foundation is a tax-exempt organization under section 501 (c) (3) of the Internal Revenue Code and any contributions received are tax deductible under section 170 of the code and is not a private foundation. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for tax years ending 2010, 2011, 2012 and 2013 are subject to examination by the IRS, generally for three years after they were filed.

**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.

**ILLINOIS LAW ENFORCEMENT ALARM SYSTEM**  
**Notes to Financial Statements**  
**June 30, 2013**

**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. Effective January 1, 2013 amounts will be insured by the FDIC up to \$250,000 per depositor for the combined total balance of all deposit accounts.

**NOTE 3 – INVENTORY VALUATION**

Inventories available for sale consist of supplies and are stated at the lower of cost or market.

**NOTE 4 – GRANTS RECEIVABLE**

At year-end ILEAS had approved grants receivable from the Department of Homeland Security in the amount of \$ 825,016.

**NOTE 5 – AMOUNTS DUE FROM CONTRACTS**

During the year ILEAS contracted with the New Jersey Emergency Management Office to supply law enforcement personnel for support recovery and public safety operations throughout New Jersey relative to NJ Hurricane Sandy. "Amounts due from contracts" represents costs incurred during the project and will be reimbursed by the responsible party to the contract.

**NOTE 6 – CAPITAL ASSETS POLICY**

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



**ILLINOIS LAW ENFORCEMENT ALARM SYSTEM**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE 7 – DEFINING OPERATING REVENUES AND EXPENSES**

The Organization's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Organization's Business Fund and the Foundation Fund consist of management services, member dues, conferences, rentals and unrestricted contributions and the cost of providing these services. Investment income is reported as nonoperating.

**NOTE 8 – GOVERNMENT-WIDE AND PROPRIETARY FUND NET ASSETS**

Government-wide and proprietary fund net assets are divided into three components:

- Investment in capital assets, cost of capital assets less accumulated depreciation.
- Restricted net assets-consist of net assets that are restricted by the Organization or by the state and federal enabling legislation.
- Unrestricted-all other net assets are reported in this category.

**NOTE 9 – GOVERNMENTAL FUND BALANCES**

In the governmental fund financial statements, fund balances are classified as follows:

- Restricted-Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors.

**NOTE 10 – PURPOSE OF DUE TO/FROM OTHER FUNDS**

Due to/from transactions are used for short term interfund loans. The outstanding balance for the grant fund is the result of a time lag between the date the grant revenue was received and the date the qualifying expenditure was made.

**ILLINOIS LAW ENFORCEMENT ALARM SYSTEM**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE11 - CAPITAL ASSETS**

Capital assets for the year ending June 30, 2013 is as follows:

	Balance at July 1, 2012	Additions	Deductions	Balance at June 30, 2013
Governmental Activities:				
Capital assets:				
Leasehold improvements	\$ 1,630,000		\$ -	\$ 1,630,000
Equipment	481,854	\$ 10,235	-	492,089
Vehicle	54,554		-	54,554
Total capital assets	<u>2,166,408</u>	<u>10,235</u>	<u>-</u>	<u>2,176,643</u>
Less accumulated depreciation for:				
Leasehold improvements	393,917	81,500	-	475,417
Equipment	354,083	64,414	-	418,497
Vehicles	8,252	4,602	-	12,854
Total accumulated depreciation	<u>756,252</u>	<u>150,516</u>	<u>-</u>	<u>906,768</u>
Government activities capital assets, net	<u>1,410,156</u>	<u>(140,281)</u>	<u>-</u>	<u>1,269,875</u>

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

Governmental Activities:	
Training Center	150,516
Total governmental activities depreciation expense	<u>\$ 150,516</u>

**NOTE 12 - 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, 2013. 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, 2014.

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

	Lease Expense	Prepaid Lease
For the year ended June 30, 2013	419,000	209,500
For the six months ended December 31, 2013	209,500	-

**ILLINOIS LAW ENFORCEMENT ALARM SYSTEM**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE 13 - 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, 2013 was \$45,073.

**NOTE 14 - CONTINGENCIES**

**Litigation**

As of June 30, 2013, ILEAS did not have any pending litigation or potential nondisclosed liabilities.

**NOTE 15 – EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through December 30, 2013, the date which the financial statements were available to be issued.



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# *LEGG & LEGG, LLP*

Certified Public Accountants

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Billy L. Legg, CPA

James C. Legg, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDNACE WITH GOVERNMENT  
AUDITING STANDARDS.**

To the Board of Directors  
Illinois Law Enforcement Alarm System

We have audited, in accordance with the 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, the financial statements of the governmental activities and the business-type activities of Illinois Law Enforcement Alarm System, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Illinois Law Enforcement Alarm System's basic financial statement's and have issued our report thereon dated December 30, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Illinois Law Enforcement Alarm System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Illinois Law Enforcement Alarm System's internal control. Accordingly, we do not express an opinion on the effectiveness of Illinois Law Enforcement Alarm System's internal control.

*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. *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.

Our consideration of internal control 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 material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Illinois Law Enforcement Alarm System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, 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 no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Jagg & Jagg L.L.P.*

Springfield, IL

December 30, 2013

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# *LEGG & LEGG, LLP*

Certified Public Accountants

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Billy L. Legg, CPA

James C. Legg, CPA

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors  
Illinois Law Enforcement Alarm System

### **Report on Compliance for Each Major Federal Program**

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 System's major federal programs for the year ended June 30, 2013. 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.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Illinois Law Enforcement Alarm System's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Governments, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Illinois Law Enforcement Alarm System's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Illinois Law Enforcement Alarm System complied, in all material respects, with the types of 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, 2013.



## Report on Internal Control over Compliance

Management of Illinois Law Enforcement Alarm System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Illinois Law Enforcement Alarm System's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

*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, or 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Jag L.P.*

Springfield, IL

December 30, 2013

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Illinois Emergency Management Agency:			
2009 State Homeland Security Program	97.067	09ILEASBMA	49,994
		09ILEASGEN	1,810
		09ILEAPRND	24,227
		09ILEASSEC	27,140
		09ILEASSRT	807,031
		09ILEFIBER	4,957
		09ILEGLHSC	26,709
		09ILEPORTS	708,034
2010 State Homeland Security Program	97.067	10ILEAPSAP	173,393
		10ILEASADM	33,120
		10ILEASCON	31,181
		10ILECRED	496,186
		10ILEASEOC	567,759
		10ILEASEQU	1,100,005
		10ILEASIMT	28,633
		10ILEASMST	125,229
		10ILEASOTB	1,173,372
		10ILEASRAD	16,299
		10ILEASSEC	202,165
		10ILEASSRT	1,700,761
		10ILEASSTR	48,501
		10ILEASUCP	114,648
		10ILEEMNET	61,326
		10ILIPWMAN	19,724
2011 State Homeland Security Program	97.067	11ILEASADM	168,410
		11ILEASCON	175,226
		11ILECRED	112,940
		11ILEAPRND	2,102
		11ILEAPSAP	7,567
		11ILEASSEC	127,560
		11ILEASSRT	1,082,760
		11ILEEMNET	30,342
		11ILEIMERT	51,099
2012 State Homeland Security Program	97.067	12ILEASADM	234
		12ILEASSRT	11,621
		12ILEASUCP	73,799
		12ILEITECS	42,733



ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
2010 Urban Area Security Initiative	97.067	10UASIILEA	141,318
2011 Urban Area Security Initiative	97.067	11UASISEC	<u>9,810</u>
Total			9,579,725
2008 Interoperable Emergency Communications Program	97.001	08ILEASIE2	655,232
2009 Interoperable Emergency Communications Program	97.001	09IECGPILE	<u>440,308</u>
Total			1,095,540
2010 Interoperable Emergency Communications Program	97.005	10IECGPILE	<u>1,460,061</u>
Total			1,460,061
Total U.S. Department of Homeland Security			<u>12,135,326</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>12,135,326</u></u>

**ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEARS ENDED JUNE 30, 2013**

**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 Non-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	1,095,540
97.005	1,460,061
97.067	<u>9,579,725</u>
Total Expenditures of Federal Awards by CFDA Number	<u>\$12,135,326</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, 2013**

**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)                 yes            X       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):                 yes            X       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?**                 yes            X       no

**ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)  
For the Year Ended June 30, 2013**

**Identification of major programs:**

<b>CFDA Number (s)</b>	<b>Name of Federal Program or Cluster</b>
97.067	State Homeland Security Program
97.067	Urban Area Security Initiative
97.001	Interoperable Emergency Communications Program
97.005	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