

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM

Urbana, Illinois

**Financial Statements  
and Supplementary Information**

For the Year Ended

June 30, 2016

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## INDEPENDENT AUDITOR'S REPORT

To the Governing Board  
Illinois Law Enforcement Alarm System  
Urbana, Illinois

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, and each major fund of Illinois Law Enforcement Alarm System (the Organization) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

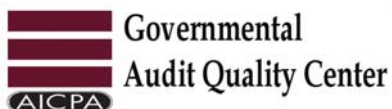
### **Management's Responsibility for the Financial Statements**

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. 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.



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, discretely presented component unit, and each major fund of the Organization as of June 30, 2016, 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.

## **Correction of Error**

As described in Note 14 to the financial statements, the financial statement for June 30, 2015 have been restated to correct accrued compensated absences, accrued wages, and grants receivable as of that date. Our opinions are not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

The Organization has omitted the Management's Discussion and Analysis 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 opinions on the basic financial statements are not affected by this omitted information.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The accompanying Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not required parts 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 information 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, 2016, on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

*Martin, Hood, Friese & Associates, LLC*

Champaign, Illinois  
December 30, 2016

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Statement of Net Position  
June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 24,452	\$ 508,709	\$ 533,161	\$ 58,584
Grants Receivable	1,113,057	-	1,113,057	-
Accounts Receivable	-	7,892	7,892	-
Dues Receivable	-	1,800	1,800	-
Merchandise Inventory	-	-	-	11,375
Due from ILEAS Foundation	-	3,000	3,000	-
Interfund Balances	(121,701)	121,701	-	-
Prepaid Expenses	6,725	9,998	16,723	-
Capital Assets, Net of Accumulated Depreciation	1,166,695	51,464	1,218,159	-
Total Assets	<u>\$ 2,189,228</u>	<u>\$ 704,564</u>	<u>\$ 2,893,792</u>	<u>\$ 69,959</u>
<b>LIABILITIES</b>				
Due to ILEAS	\$ -	\$ -	\$ -	\$ 3,000
Accounts Payable	947,660	717	948,377	2,825
Unearned Revenue	36,763	9,581	46,344	-
Non-Current Liabilities				
Due Within One Year	178,273	9,277	187,550	-
Total Liabilities	<u>\$ 1,162,696</u>	<u>\$ 19,575</u>	<u>\$ 1,182,271</u>	<u>\$ 5,825</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 1,166,695	\$ 51,464	\$ 1,218,159	\$ -
Unrestricted	(140,163)	633,525	493,362	64,134
Total Net Position	<u>\$ 1,026,532</u>	<u>\$ 684,989</u>	<u>\$ 1,711,521</u>	<u>\$ 64,134</u>

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Statement of Activities  
For the Year Ended June 30, 2016

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Management and Administration	\$ 304,643	\$ -	\$ 304,643	\$ -	\$ -	\$ -	\$ -
Training and Reimbursements	6,131,242	-	5,999,910	237,487	106,155	-	106,155
Total Governmental Activities	<u>6,435,885</u>	<u>-</u>	<u>6,304,553</u>	<u>237,487</u>	<u>106,155</u>	<u>-</u>	<u>106,155</u>
<b>Business-Type Activities:</b>							
Operating Expenses	<u>372,301</u>	<u>288,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(83,730)</u>	<u>(83,730)</u>
Total Primary Government	<u>\$ 6,808,186</u>	<u>\$ 288,571</u>	<u>\$ 6,304,553</u>	<u>\$ 237,487</u>	<u>106,155</u>	<u>(83,730)</u>	<u>22,425</u>
<b>General Revenues:</b>							
Interest Income					-	919	919
Other Income					<u>27</u>	<u>-</u>	<u>27</u>
Total General Revenues					<u>27</u>	<u>919</u>	<u>946</u>
Change in Net Position					<u>106,182</u>	<u>(82,811)</u>	<u>23,371</u>
Net Position, Beginning of Year, As Previously Presented					1,090,441	783,478	1,873,919
Prior Period Adjustment					<u>(170,091)</u>	<u>(15,678)</u>	<u>(185,769)</u>
Net Position, Beginning of Year, As Restated					<u>920,350</u>	<u>767,800</u>	<u>1,688,150</u>
Net Position, End of Year					<u>\$ 1,026,532</u>	<u>\$ 684,989</u>	<u>\$ 1,711,521</u>

See Accompanying Notes



ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Statement of Activities - Component Unit  
For the Year Ended June 30, 2016

<b>Support and Revenue</b>	
Conferences	\$ 20,230
Contributions	525
Sales of Inventory, Net of Costs of \$3,511	1,708
Other	1,554
Total Support and Revenue	<u>24,017</u>
<b>Expenses</b>	
Program Expenses	
Grant to Business Fund	17,775
Management Services Expenses	11,940
Conference Expenses	6,269
Total Program Expenses	<u>35,984</u>
General and Administration	
Insurance	2,103
General Administrative Expenses	1,814
Miscellaneous	134
Total General and Administration Expenses	<u>4,051</u>
Total Expenses	<u>40,035</u>
<b>Changes in Unrestricted Net Assets</b>	(16,018)
<b>Unrestricted Net Assets, Beginning of Year</b>	<u>80,152</u>
<b>Unrestricted Net Assets, End of Year</b>	<u><u>\$ 64,134</u></u>

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
 Balance Sheet  
 Governmental Fund  
 June 30, 2016

<b>ASSETS</b>	<u>General Fund</u>
Cash and Cash Equivalents	\$ 24,452
Grants Receivable	1,113,057
Prepaid Expenditures	6,725
Total Assets	<u>\$ 1,144,234</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Due to Proprietary Fund	\$ 121,701
Accounts Payable	947,660
Unearned Revenue	36,763
Total Liabilities	<u>1,106,124</u>
Fund Balance	
Non-Spendable:	
Prepaid Items	6,725
Restricted for:	
Grant Projects	31,385
Total Fund Balance	<u>38,110</u>
Total Liabilities and Fund Balance	<u>\$ 1,144,234</u>

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Reconciliation of the Balance Sheet - Governmental Fund  
to the Statement of Net Position  
June 30, 2016

Total Fund Balance, Governmental Fund	\$ 38,110
Capital Assets, Net of Depreciation Used in Governmental Activities	1,166,695
Accrued Compensated Absences Related to Governmental Activities	<u>(178,273)</u>
Net Position of Governmental Activities	<u>\$ 1,026,532</u>

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Governmental Fund  
 For the Year Ended June 30, 2016

	<u>General Fund</u>
<b>Revenues</b>	
Federal Sources:	
Grants	\$ 6,542,040
Other Income	27
Total Revenues	6,542,067
 <b>Expenditures</b>	
Current:	
Management and Administration	304,643
Training and Reimbursements	6,237,618
Total Expenditures	6,542,261
 <b>Net Change in Fund Balance</b>	(194)
 <b>Fund Balance, Beginning of Year</b>	38,304
 <b>Fund Balance, End of Year</b>	\$ 38,110

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Reconciliation of the Statement of  
Revenues, Expenditures, and Changes in Fund Balance -  
Governmental Fund to the Statement of Activities  
For the Year Ended June 30, 2016

Net Change in Fund Balance, Total Governmental Fund	\$	(194)
Change in Compensated Absences Related to Governmental Activities		(8,182)
Depreciation and Amortization on Capital Assets		(122,929)
Purchases of Capital Assets		<u>237,487</u>
Change in Net Position of Governmental Activities	\$	<u>106,182</u>

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Statement of Net Position  
*Proprietary Fund*  
June 30, 2016

	Enterprise Fund
	Business Fund
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 508,709
Accounts Receivable	7,892
Dues Receivable	1,800
Due from Governmental Fund	121,701
Due from ILEAS Foundation	3,000
Prepaid Expenses	9,998
Total Current Assets	653,100
Capital Assets, Net of Accumulated Depreciation	51,464
Total Assets	704,564
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	717
Accrued Expenses	9,277
Unearned Revenue	9,581
Total Liabilities	19,575
<b>NET POSITION</b>	
Net Investment in Capital Assets	51,464
Unrestricted	633,525
Total Net Position	\$ 684,989

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Statement of Revenues, Expenses, and Changes in Net Position  
*Proprietary Fund*  
For the Year Ended June 30, 2016

	Enterprise Fund
	Business Fund
<b>Operating Revenues</b>	
Membership Dues	\$ 102,420
Training Center Lease Income	79,353
Conferences	50,701
Management Services Income	27,876
Training Center Income	27,542
Other Income	679
Total Operating Revenues	288,571
<b>Operating Expenses</b>	
Agency Program Expenses	134,986
General Administrative Expense	81,736
Management Services Expenses	53,359
Conference Expenses	51,162
Insurance	47,522
Depreciation	3,536
Total Operating Expenses	372,301
<b>Operating Income (Loss)</b>	(83,730)
<b>Non-Operating Revenues (Expenses)</b>	
Interest Income	919
<b>Change in Net Position</b>	(82,811)
<b>Net Position, Beginning of Year, As Previously Presented</b>	783,478
<b>Prior Period Adjustment</b>	(15,678)
<b>Net Position, Beginning of Year, As Restated</b>	767,800
<b>Net Position, End of Year</b>	\$ 684,989

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Statement of Cash Flows  
*Proprietary Fund*  
For the Year Ended June 30, 2016

	Enterprise Fund
	Business Fund
<b>Cash Flows from Operating Activities</b>	
Receipts from Users and Members	\$ 298,667
Payments to Employees	(151,006)
Payment to Suppliers	(226,865)
Net Cash Provided by (Used in) Operating Activities	(79,204)
 <b>Cash Flows from Noncapital Financing Activities</b>	
Increase in Due from Governmental Fund	(24,084)
 <b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases of Capital Assets	(55,000)
 <b>Cash Flows from Investing Activities</b>	
Interest	919
 <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(157,369)
 <b>Cash and Cash Equivalents, Beginning of Year</b>	666,078
 <b>Cash and Cash Equivalents, End of Year</b>	\$ 508,709
 <b>Cash Flows from Operating Activities</b>	
Operating Income (Loss)	\$ (83,730)
Adjustment to Reconcile Operating Income (Loss) to	
Net Cash Provided by (Used in) Operating Activities:	
Depreciation Expense	3,536
Change in Assets and Liabilities:	
(Increase) Decrease in Receivables	10,755
(Increase) Decrease in Prepaid Expenses	(852)
Increase (Decrease) in Accounts Payable	(1,853)
Increase (Decrease) in Accrued Expenses	(6,401)
Increase (Decrease) in Unearned Revenue	(659)
Total Adjustments	4,526
Net Cash Provided by (Used in) Operating Activities	\$ (79,204)

See Accompanying Notes



ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Notes to the Basic Financial Statements  
June 30, 2016

**1. Nature of Organization**

Illinois Law Enforcement Alarm System (the Organization) 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. The Organization represents all the sheriff's offices and several hundred police departments in Illinois.

The mission of the Organization 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.

The Organization 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, The Organization can share that burden by notifying and coordinating the pre-plan mutual aid agencies responses.

The Organization 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 Organization's Governing Board is made up of:

- 16 Regional Co-Chairs
- 2 Representatives from the Chicago Police Department
- 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, the Organization has added advisory, non-voting ex-officio members to the Governing Board. The President of the Organization has appointed an Executive Committee consisting of elected Governing Board Officers to manage the day to day activities. The Organization has hired staff to administer the Federal Homeland Security grants which make up a majority of the Organization's funds.

The Organization is a coalition/consortium of local agencies as established by law in Illinois, however, the Organization is not considered a component unit of any other government entity.

The Illinois Law Enforcement Alarm System Foundation (the Foundation) is a nonprofit corporation organized under the laws of the State of Illinois to develop support for the Organization. The Foundation is considered a component unit of the Organization under the accounting standards followed by the Organization; however, the Foundation is a

separate legal entity. The Foundation's only program relates to the support of the operational and capital needs of the Organization that lack adequate funding through the Organization's available resources.

## **2. Summary of Significant Accounting Policies**

The financial statements of the Organization are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. GAAP includes all relevant GASB pronouncements plus other sources of accounting and financial reporting guidance noted in GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

### **a. Financial Reporting Entity**

The definition of what constitutes the entity of the Organization is based on the guidelines set forth in GASB Statement Number 14, as amended by GASB Statement 61. The primary government of the Organization consists of the funds presented herein as a governmental fund and a proprietary fund.

According to GASB Statement Number 14, as amended by Statement Number 61, a legally separate organization should be included as a component unit of the primary government if the primary government is financially accountable for the legally separate organization. Financial accountability is determined as follows:

1. The organization is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or
2. The primary government appoints a voting majority of the organization's governing body, and:
  - It is able to impose its will on the organization
  - There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

As required by GAAP, these financial statements present the financial reporting entity of the Organization, including the Foundation, a discretely presented component unit. The Foundation is a discretely presented component unit because the resources received and held by the Foundation are entirely for the direct benefit of the Organization, the Organization has the ability to access those resources, and those resources are significant to the Organization.

The assets, liabilities, net assets, revenue and expenses of the Foundation are included in the basic financial statements presented in Exhibits A and C. There are no other entities for which the nature and significance of their relationship with the Organization are such that exclusion would cause the Organization's financial statements to be materially misstated or incomplete.

b. Basic Financial Statements

*Government-Wide Financial Statements*

The Statement of Net Position and Statement of Activities display information about the Organization as a whole. They include all funds of the Organization and the discretely presented component unit. The Statement of Net Position and the Statement of Activities include the governmental activities, business-type activities, and the discretely presented component unit. The Organization's governmental activities generally are financed through intergovernmental revenue and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Internal balances and activities within the Organization's funds are eliminated in the government-wide financial statements. Activities between the Organization's primary government and the discretely presented component unit are not eliminated.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting (as described in Note 2.c).

*Fund Financial Statements*

Fund financial statements of the Organization 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. The Organization's funds are organized into two major categories: governmental and proprietary funds. An emphasis is placed on major funds within these categories. A fund is considered major if it is the primary operating fund of the Organization or meets the following criteria:

1. Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of that individual fund are at least 10 percent of the corresponding total for all funds of that category or type.
2. Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of that individual fund are at least 5 percent of the corresponding total for all funds combined.

The Organization also may report certain funds as major, based on their importance to financial statement users.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting (as described in Note 2.c.).

The proprietary fund financial statements are reported on the accrual basis of accounting (as described in Note 2.c.).

The fund types of the Organization are described below:

#### *Governmental Fund*

The focus of the governmental fund's measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the Organization:

**General Fund** – The General Fund is the primary operating fund of the Organization and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

#### *Proprietary Fund*

**Enterprise Fund** – An Enterprise Fund is used to account for business-like activities provided to the general public. The measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

**Business Fund** – The Business Fund is used to account for business-like activities provided to support activities of the General Fund.

### c. Basis of Accounting

#### *Accrual*

Governmental activities and business-type activities in the government-wide financial statements and the enterprise fund financial statements are presented on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

#### *Modified Accrual*

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when it becomes both measurable and available. Revenue is considered to be available when they are collectible within the current period or soon enough

thereafter to pay liabilities of the current period. The Organization considers receipts within 90 days of year-end to be available. Expenditures generally are recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when payment is due.

Grants are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measured and available only when cash is received by the Organization.

d. Cash and Cash Equivalents

Cash and cash equivalents includes deposits at financial institutions, short-term investments with original maturities at issuance of three months or less, and funds held in money market mutual funds at depository banks.

e. Receivables

Receivables are reported at the estimated net realizable amounts from third-party payers and others for services rendered. Receivables are stated at the amount management expects to collect on outstanding balances.

f. Interfund Balances

Receivables and payables between funds are reported as due from and due to other funds, respectively. Amounts not expected to be repaid within a reasonable time are considered interfund transfers. In governmental funds, amounts due from other funds expected to be repaid within a reasonable time, but beyond one year from June 30, 2016, as well as other long-term receivables are offset by non-spendable fund balance because they do not represent expendable, available financial resources. The amounts due among the funds at June 30, 2016, relate to working capital loans with no specific repayment schedule, however, repayment is expected within the next fiscal year.

g. Prepaid Expenditures/Expenses

Prepaid expenditures/expenses such as for insurance or service contracts are recorded as assets and expended/expensed over the term when the services are received.

h. Capital Assets

The Organization capitalized assets with initial individual unit values over \$10,000 and useful lives in excess of two years. Capital assets purchased for use in governmental activities are recorded as expenditures in governmental fund financial statements at the time of purchase. Capital assets are reported in the government-wide financial statements offset by accumulated depreciation. Capital assets are valued at actual or estimated historical cost while donated capital assets are valued at their fair

market value on the date donated. Depreciation is calculated on capital assets, other than land and assets that appreciate in value, using the straight-line method, mid-year convention with the following estimated useful lives:

Assets	Years
Buildings and Leasehold Improvements	20-50 years
Apparatus and Vehicles	5-25 years
Equipment	5-20 years

The Organization has no intangible assets subject to capitalization.

i. Deferred Outflows/Inflows of Resources

The financial statement element, deferred outflows of resources, represents a consumption of equity that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Organization has no item that qualifies for reporting in this category as of June 30, 2016.

The financial statement element, deferred inflows of resources, represents an acquisition of equity that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Organization has only no item that qualifies for reporting in this category at June 30, 2016.

j. Restricted Net Position

Assets that are not available to finance general operations of the Organization are reported as restricted on the statement of net position. The Organization's policy is to apply restricted resources first when an expense is incurred for a purpose for which restricted and unrestricted net position is available.

k. Fund Balance

Fund balances are classified as follows:

**Non-Spendable** – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact

**Restricted** – Amounts that can be spent only for specific purposes because of the Organization by-laws, state or federal laws, or externally imposed conditions by grantors or creditors

**Committed** – Amounts that can be used only for specific purposes determined by a resolution by the Governing Board

**Assigned** – Amounts that are constrained by the Governing Board’s intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by (a) the Governing Board itself or (b) a body or official to which the Governing Board has delegated the authority to assign amounts to be used for specific purposes. The Organization’s highest level of decision-making authority is the Governing Board, who is authorized to assign amounts to a specific purpose through its appropriations power.

**Unassigned** – All amounts not included in other spendable classifications (the General Fund is the only fund that reports a positive unassigned fund balance amount)

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balance is available, the Organization considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Organization considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Governing Board has provided otherwise in its commitment or assignment actions.

l. Program Revenues

Program Revenues on the statement of activities include the following:

*Governmental Activities*

Operating Grants and Contributions	Grants and contributions used to support training and education programs and to provide support and equipment for agencies
Capital Grants and Contributions	Grants and contributions used to purchase equipment to support training and education programs

*Business-type Activities*

Charges for Services	Fees charged for membership, programs, conferences, and services provided for member agencies and other parties
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m. Operating and Non-Operating Revenues and Expenses of Proprietary Fund

Operating revenues and expenses for the proprietary fund are those that result from providing services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

n. **Compensated Absences**

It is the Organization's policy to permit employees to accumulate earned but unused paid leave to a limit of 252 hours, 84 of which may be carried to the next calendar year. All paid leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

o. **Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**3. Reconciliation of Fund Statements to Government-Wide Statements**

A reconciliation is provided with the balance sheet – governmental funds (Exhibit D-1) to explain the differences between total fund balances in the balance sheet – governmental funds and net position for governmental activities on the government-wide statement of net position. The major differences are due to:

- a. Capital Assets, net of depreciation, that are used across all funds and will be recorded on government wide financial statements, but not on the fund financial statements.
- b. The value of long-term liabilities, including compensated absences, which are not reported in governmental funds.

A reconciliation is provided with the statement of revenues, expenditures, and changes in fund balance – governmental fund (Exhibit E-1) to explain the difference between the change in fund balance in the governmental fund and the change in net position for governmental activities on the government-wide statement of activities. The major differences are due to:

- a. Capital outlay expenditures are not reported in the statement of activities, while depreciation expense and gains/losses on disposal of capital assets are not reported in governmental funds.
- b. The change in accrued compensated absences is not a governmental fund expenditure, while it is an expense on the statement of activities.

**4. Budgets**

The Organization's General Fund is not required by Illinois Statute to pass an annual legal budget and appropriations document.



**5. Cash and Cash Equivalents**

*Cash – Custodial Credit Risk – Bank Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Organization’s bank deposits may not be returned to it. The Organization does not have an investment policy that addresses this risk. At June 30, 2016, the book balance of \$196,137 reconciled to a bank balance of \$254,601. Of the bank balance, \$4,601 was uninsured and uncollateralized.

*Cash Equivalents*

At June 30, 2016, the Organization held the following cash equivalents:

Money Market Accounts	<u>\$ 337,024</u>
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The balance held in money market accounts at June 30, 2016 is not insured by federal depository insurance, or collateralized by pledged collateral.

**6. Grants Receivable**

As of June 30, 2016, the Organization had grants receivable from the U.S. Department of Homeland Security, through the Illinois Emergency Management Agency, in the amount of \$1,113,057.

## 7. Capital Assets

The following is a summary of the changes in capital assets of the governmental activities for the year ended June 30, 2016:

	June 30, 2015	Additions	Deductions	June 30, 2016
<b>Cost</b>				
Leasehold Improvements	\$ 1,630,000	\$ -	\$ -	\$ 1,630,000
Equipment	510,378	159,332	-	669,710
Vehicles	54,554	78,155	-	132,709
Total	<u>2,194,932</u>	<u>237,487</u>	<u>-</u>	<u>2,432,419</u>
<b>Accumulated Depreciation and Amortization</b>				
Leasehold Improvements	638,417	81,500	-	719,917
Equipment	478,792	29,654	-	508,446
Vehicles	25,586	11,775	-	37,361
Total	<u>1,142,795</u>	<u>122,929</u>	<u>-</u>	<u>1,265,724</u>
Capital Assets, Net	<u>\$ 1,052,137</u>	<u>\$ 114,558</u>	<u>\$ -</u>	<u>\$ 1,166,695</u>

Depreciation and amortization expense was \$122,929 for the year ended June 30, 2016 and charged fully to the training function.

The following is a summary of changes in the capital assets of the business-type activities for the year ended June 30, 2016:

	June 30, 2015	Additions	Deductions	June 30, 2016
<b>Cost</b>				
Vehicles	\$ -	\$ 55,000	\$ -	\$ 55,000
<b>Accumulated Depreciation</b>				
Vehicles	-	3,536	-	3,536
Capital Assets, Net	<u>\$ -</u>	<u>\$ 51,464</u>	<u>\$ -</u>	<u>\$ 51,464</u>

Depreciation expense was \$3,536 for the year ended June 30, 2016.

**8. Long-Term Liabilities**

The following is a summary of changes in the Organization's long-term liabilities of the governmental activities for the year ended June 30, 2016:

	<u>June 30, 2015</u>	<u>Issued</u>	<u>Retired</u>	<u>June 30, 2016</u>	<u>Due Within One Year</u>
Accrued Compensated Absences	<u>\$170,091</u>	<u>\$178,726</u>	<u>\$170,544</u>	<u>\$178,273</u>	<u>\$178,273</u>

The following is a summary of changes in the Organization's long-term liabilities of the business-type activities for the year ended June 30, 2016:

	<u>June 30, 2015</u>	<u>Issued</u>	<u>Retired</u>	<u>June 30, 2016</u>	<u>Due Within One Year</u>
Accrued Compensated Absences	<u>\$9,680</u>	<u>\$7,983</u>	<u>\$8,386</u>	<u>\$9,277</u>	<u>\$9,277</u>

The Organization has assumed all compensated absences to be due within one year.

**9. Revolving Line of Credit**

The Organization maintains a revolving line of credit agreement with a bank on which it may borrow up to \$250,000. The agreement runs through August 27, 2017. The line of credit bears interest at the U.S. Prime Rate, as published in the Wall Street Journal, plus 90 basis points and is secured by all of the deposit accounts of the Organization held at the bank. This line of credit had no outstanding balance as of June 30, 2016 and the interest rate was 4.40 percent.

**10. Future Minimum Lease Payments**

The Organization leases a facility used for all of its operations from Champaign County. The lease runs through December 31, 2016. The total expense incurred for the lease in the year ended June 30, 2016 was \$432,659. Future minimum lease payments are as follows:

Fiscal Year	
2017	<u>\$ 218,476</u>

## 11. Future Commitments

Through the date of the auditor's report, the Organization has entered into contracts related to various service agreements. Minimum annual commitments under these agreements for governmental activities are as follows:

Fiscal Year	
2017	\$ 592,764
2018	389,400
2019	60,000
Total	<u>\$ 1,042,164</u>

Minimum annual commitments under these agreements for business-type activities are as follows:

Fiscal Year	
2017	<u>\$ 24,000</u>

## 12. Contingencies

During the year ended June 30, 2016, there were no significant reductions in insurance coverage and there were no settlement amounts that have exceeded insurance coverage or that have been uncovered by insurance in the past three years.

## 13. Related Party Transactions and Balances

The Foundation provides contributions to the Organization to support the ILEAS Conference and other various programs. During the year ended June 30, 2016, the Organization received \$14,500 of contributions from the Foundation. The Organization subleases space to the Foundation and provides administrative services for the Foundation. During the year ended June 30, 2016, the Organization recorded revenue of \$3,600 and \$8,340 for rent and services, respectively. At June 30, 2016, the Organization has an outstanding receivable balance of \$3,000 due from the Foundation.

## 14. Prior Period Adjustment

The net position of the governmental activities and the business-type activities (and Business Fund) have been decreased \$170,091 and \$15,678, respectively, as of June 30, 2015, to correct misstatements in the recording of accrued compensated absences (\$170,091 and \$9,680, respectively), accrued wages (\$115,162 and \$5,998, respectively), and grants receivable (\$115,162 and \$0, respectively) at June 30, 2015.

The effect of correcting the accrued compensated absences on the change in net position for the year ended June 30, 2016, was to decrease the governmental activities by \$8,182 and increase the business-type activities (and Business Fund) by \$403. The effect of

correcting the accrued wages and the grants receivable offset for the year ended June 30, 2016, and resulted in no impact on the change in net position for governmental activities, and the net change in fund balance for the General Fund. The effect of correcting the accrued wages on the change in net position for the year ended June 30, 2016 was to increase the business-type activities (and Business Fund) by \$5,998.

Had these misstatements been corrected prior to fiscal year 2016, the effect of correcting the accrued compensated absences on the change in net position for the year ended June 30, 2015, would have been to decrease the governmental activities by \$9,789 and decrease the business-type activities (and Business Fund) by \$838. The effect of correcting the accrued wages and the grants receivable would have offset for the year ended June 30, 2015, and would have resulted in no impact on the change in net position for governmental activities, and the net change in fund balance for the General Fund. The effect of correcting the accrued wages on the change in net position for the year ended June 30, 2015 would have been to increase the business-type activities (and Business Fund) by \$1,796.

## **15. Discretely Presented Component Unit**

The following notes are provided for the Organization's component unit, the Foundation:

### **A. Summary of Significant Accounting Policies:**

- a. The Foundation's financial statements have been prepared on the accrual basis of accounting, in accordance with GAAP. Net assets of the Foundation and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Board of Directors and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Foundation has no temporarily restricted net assets at June 30, 2016.

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned for general or specific purposes. The Foundation has no permanently restricted net assets at June 30, 2016.

- b. Merchandise inventory is stated at the lower of cost or market. Cost is determined on a first-in, first-out (FIFO) basis.

- c. The costs of providing the programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- d. The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As of June 30, 2016, the federal and state tax filings of the Foundation that fall within the applicable statutes of limitation remain open for review by tax authorities.
- e. The Foundation has evaluated subsequent events through December 30, 2016, the date which the financial statements were available to be issued.

**B. Related-Party Transactions and Balances**

The Foundation provides contributions to the Organization to support the ILEAS Conference and other various programs. During the year ended June 30, 2016, the Foundation made \$14,500 of contributions to the Organization. The Foundation subleases space from the Organization and receives administrative services from the Organization. During the year ended June 30, 2016, the Foundation incurred expense of \$3,600 and \$8,340 for rent and services, respectively. At June 30, 2016, the Foundation has an outstanding payable balance of \$3,000 due to the Organization.

**ILLINOIS LAW ENFORCEMENT ALARM SYSTEM**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2016**

<u>Federal Grantor / Pass-through Entity / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Identifying Number</u>	<u>Federal Expenditures</u>	<u>Total Provided to Subrecipients</u>
<b>U.S. Department of Homeland Security</b>				
<i>Pass-through from Illinois Emergency Management Agency</i>				
Homeland Security Grant Program	* 97.067			
State Homeland Security Program				
2013 State Homeland Security Program		13ILEASADM	\$ 3,557	\$ -
		13ILEASSEC	5,985	-
		13ILEASSRT	71,429	-
2014 State Homeland Security Program		14ILEASADM	245,291	-
		14ILEASCAR	288,371	-
		14ILEASIMT	28,464	-
		14ILEASPLN	939,281	-
		14ILEASPRG	87,894	-
		14ILEASSRT	2,190,353	-
		14ILEASTRN	555,556	-
		14ILEIMERT	46,926	-
		14ILEASCOM	240,457	-
		14ILIPWMAN	32,289	-
2015 State Homeland Security Program		15ILEASADM	66,058	-
		15ILEASCAR	78,626	-
		15ILEASIMT	10,821	-
		15ILEASPLN	283,706	-
		15ILEASPRG	25,800	-
		15ILEASSRT	718,773	-
		15ILEASTRN	186,997	-
		15ILEIMERT	7,895	-
		15ILEASCOM	31,280	-
Urban Area Security Initiative				
2014 Urban Area Security Initiative		14UASICOM	17,895	-
		14UASIPRG	38,604	-
		14UASISRT	51,924	-
2015 Urban Area Security Initiative		15UAILECOM	8,485	-
		15UAILEIMT	307	-
		15UAILEPLN	20,644	-
		15UAILEPRG	10,245	-
		15UAILIMER	7,895	-
Total U.S Department of Homeland Security			<u>6,301,808</u>	<u>-</u>
<b>U.S. Department of Commerce</b>				
<i>Pass-through from Illinois Emergency Management Agency</i>				
State and Local Implementation Program	11.549	13SLIGPILE	355,394	-
Total			<u>\$ 6,657,202</u>	<u>\$ -</u>

\* - Denotes a major program.

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

**1. Summary of Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal grant activity of Illinois Law Enforcement Alarm System (the Organization) for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements of the Organization, which are presented in conformity with accounting principles generally accepted in the United States of America.

The Organization did not use the 10 percent de minimis indirect cost rate for the year ended June 30, 2016.

**2. Basis of Accounting**

The schedule has been prepared on the accrual basis of accounting. Expenditures include all accounts payable representing liabilities for goods and services actually received as of June 30, 2016. However, to account for a prior period adjustment related to wages payable at June 30, 2015, the Organization's federal expenditures on the schedule include expenditures that should have been included in the schedule for the year ended June 30, 2015. The federal expenditures on the schedule reconcile to the Organization's basic financial statements for the year ended June 30, 2016 as follows:

Federal Grant Revenue on the Basic Financial Statements	\$ 6,542,040
Additional Federal Expenditures Resulting from the Prior Period Adjustment	<u>115,162</u>
Federal Expenditures on the Schedule	<u><u>\$ 6,657,202</u></u>

**3. Capital Assets**

Property and equipment purchases that are presented as expenditures in the schedule may be capitalized by the Organization for presentation in the government-wide financial statements of the governmental activities.

**4. Sub-recipients**

There were no sub-recipients for the year ended June 30, 2016.



ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016

**1. Summary of Auditor's Results**

- a. Type of audit report issued on the financial statements: Unmodified
- b. The audit disclosed a material weakness in internal control that is required to be reported in accordance with *Government Auditing Standards*.
- c. The audit did not disclose instances of noncompliance material to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.
- d. The audit did not disclose significant deficiencies or material weaknesses in internal control over major federal award programs.
- e. Type of report issued on compliance for major programs: Unmodified
- f. The audit did not disclose any findings required to be reported in accordance with 2 CFR section 200.516a.
- g. Major programs:
  - ❖ U.S. Department of Homeland Security  
Homeland Security Grant Program  
CFDA Number: 97.067
- h. The dollar threshold used to distinguish Type A and Type B programs was \$750,000.
- i. The auditee qualifies as a low risk auditee.

**2. Findings Related to the Financial Statements**

**2016-001:** Material Adjusting Journal Entries Identified as a Result of Procedures Applied by the Organization's External Auditors.

**Material Weakness**

*Criteria*

Management is responsible for the preparation of financial statements. Part of this responsibility is the identification, calculation, and recording of all significant adjusting journal entries required to present the financial statements in accordance with accounting principles generally accepted in the United States of America.

*Conditions*

Our audit procedures identified material misstatements of financial statement amounts provided to us by management. Subsequent to identifying the misstatements, we proposed, and management approved, adjusting journal entries, which have corrected the identified misstatements in the financial statements.

*Population of Items Tested*

Our audit procedures identified four material adjusting journal entries to correct errors in the financial statements that had not previously been identified by the Organization's internal controls. Three of the adjusting journal entries related to the Organization and one related to the Foundation.

*Cause of Conditions*

No specific causes are noted.

*Effects of Conditions*

The Organization's financial statements as of and for the year ended June 30, 2016 were misstated prior to the application of auditing procedures by the Organization's external auditors.

*Auditor's Recommendations*

1. The Organization's management should record all adjusting journal entries necessary to report the account balances and transactions of the Organization prior to providing the trial balance summarization to the auditor for use in the annual financial statement audit.
2. If there are adjusting journal entries that management leaves knowingly for the auditor to calculate and record as part of the audit, this fact should be made clear to the auditor prior to the engagement. In addition, a member of management possessing the necessary accounting skills, knowledge, or experience must review the adjusting journal entries and the supporting documentation and provide specific approval of the calculation and the drafted adjusting journal entries.

*View of Responsible Official*

Management is aware of these items and believes they are unlikely to be an issue in the future.

**3. Findings and Questioned Costs Related to Federal Award Programs**

None noted.

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Summary Schedule of Prior Audit Findings for Federal Awards  
For the Year Ended June 30, 2016

The Organization has no prior audit findings.

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 ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

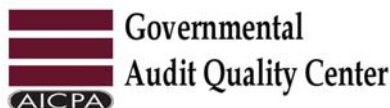
To the Governing Board  
Illinois Law Enforcement Alarm System  
Urbana, Illinois

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, the business-type activities, the discretely presented component unit, and each major fund of Illinois Law Enforcement Alarm System (the Organization), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated December 30, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2016-001, that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Organization's Response to Finding**

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Martin, Hood, Friese & Associates, LLC*

Champaign, Illinois  
December 30, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Governing Board  
Illinois Law Enforcement Alarm System  
Urbana, Illinois

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

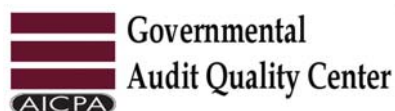
We have audited Illinois Law Enforcement Alarm System's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2016. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (Schedule 2).

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Organization's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

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

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

### **Report on Internal Control over Compliance**

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Organization'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 the 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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Martin, Hood, Friese & Associates, LLC*

Champaign, Illinois

December 30, 2016