

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM

Urbana, Illinois

**Financial Statements  
and Supplementary Information**

For the Year Ended

June 30, 2018

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## INDEPENDENT AUDITOR'S REPORT

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

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

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, 2018, 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, business-type activities, discretely presented component unit, and each major fund of the Organization as of June 30, 2018, 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***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other 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 January 18, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Organization's 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.



Champaign, Illinois  
January 18, 2019

Illinois Law Enforcement Alarm System  
Management's Discussion and Analysis  
As of and for the Year Ended June 30, 2018

## Introduction

As management of the Illinois Law Enforcement Alarm System (ILEAS), we offer readers of these financial statements this narrative overview and analysis of the financial activities of ILEAS for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements and notes to the basic financial statements contained within this report.

## Financial Highlights

- The total assets of ILEAS presented on a government-wide basis in the Statement of Net Position (page 10) exceeded total liabilities at June 30, 2018 by \$1,332,640 (*total net position*). Of this amount, \$345,962 (*unrestricted*) may be used to meet ILEAS' ongoing obligations to creditors. The remainder is *invested in capital assets, which is \$ 986,678*.
- ILEAS' *net position end of year* decreased during the current year by \$186,365 (page 10).
- ILEAS' governmental fund (page 13) reported combined ending fund balances of \$37,663, a decrease of \$274 in comparison to the prior year ending fund balances of \$37,937.
- In the General Fund, the ending fund balance was \$37,663, or .52%, of total General Fund expenditures, a decrease of \$274, or .72%, from the prior year.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to ILEAS' basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information intended to furnish additional detail to support ILEAS' management of federally funded programs.

## Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of ILEAS' finances, in a manner similar to a private-sector business.

The first of these government-wide statements is the Statement of Net Position. This is the statement of position presenting information that includes all of ILEAS's assets and liabilities. The difference between the assets and the liabilities is ILEAS' net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of ILEAS as a whole is improving or deteriorating.

The second government-wide statement is the Statement of Activities. This statement reports how ILEAS' net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

Government-wide financial statements distinguish government activities of ILEAS that are principally supported by grants from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of ILEAS relate to the Federal and State of Illinois grants received and managed by ILEAS. ILEAS has one business-type activity fund which includes agency dues

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revenues, ILEAS Conference revenues and income pertaining to certain ILEAS Training Center activity. The expenses of the Business-Type Activity fund relate to certain expenses of the ILEAS Training Center, along with ILEAS Conference expenses and other miscellaneous expenses which are not allowed under grant guidance.

The ILEAS Foundation, is a legally separate entity for which ILEAS is financially accountable, is included with the financial statements of ILEAS. The financial information for the ILEAS Foundation, a discretely presented component unit, is reported separately from the financial information presented for ILEAS itself, is reflected in the *Component Unit* reference in the financial statements.

The government-wide financial statements can be found on pages 10-12 of this report.

### **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. ILEAS uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on ILEAS' most significant funds rather than ILEAS as a whole. Major funds are reported separately while all others are combined into a single, aggregate presentation.

ILEAS' governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide statements. However, the focus is very different, with fund statements providing a distinctive view of each of ILEAS' governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented starting on page 13 of this report.

### **Proprietary Funds**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. ILEAS maintains one enterprise-type proprietary fund.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise and presented as business-type activities in the government-wide financial statements. ILEAS utilizes one enterprise fund. The basic proprietary fund financial statements can be found on pages 17-19 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-34 of this report.



Illinois Law Enforcement Alarm System  
Management's Discussion and Analysis  
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**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents additional supplementary information to further explain and support the District's management of federally funded programs. Supplementary information is presented beginning on page 35.

**Government-wide Financial Analysis**

The government-wide financial statements can be found on pages 10 and 11 of this report. The total net position may serve over time as a useful indicator of a government's financial position. In this case, ILEAS' total net position was \$1,332,640 at the close of the most recent fiscal year representing a net decrease of \$186,365 (12%) over the prior year. Both Assets and Liabilities increased in the Governmental Fund, due to the increase in Grants Receivable and the corresponding increase in Accounts Payable. The following table reflects the condensed Statement of Net Position.

**Table 1  
Statement of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 1,839,616	\$ 1,092,588	\$ 589,977	\$ 572,478	\$ 2,429,593	\$ 1,665,066
Capital Assets	949,356	1,065,371	37,322	44,393	986,678	1,109,764
Total Assets	<u>2,788,972</u>	<u>2,157,959</u>	<u>627,299</u>	<u>616,871</u>	<u>3,416,271</u>	<u>2,774,830</u>
Long-Term Liabilities	181,849	186,022	8,753	7,597	190,602	193,619
Other Liabilities	1,801,953	1,054,651	91,076	7,555	1,893,029	1,062,206
Total Liabilities	<u>1,983,802</u>	<u>1,240,673</u>	<u>99,829</u>	<u>15,152</u>	<u>2,083,631</u>	<u>1,255,825</u>
Net Position						
Net Investment in						
Capital Assets	949,356	1,065,371	37,322	44,393	986,678	1,109,764
Unrestricted	(144,186)	(148,085)	490,148	557,326	345,962	409,241
Total Net Position	<u>\$ 805,170</u>	<u>\$ 917,286</u>	<u>\$ 527,470</u>	<u>\$ 601,719</u>	<u>\$ 1,332,640</u>	<u>\$ 1,519,005</u>

Unrestricted net position (\$345,962), the portion that can be used to finance the day-to-day operations without constraints, decreased \$63,279 or 15%. Much of this is due to the decreased cash balance in the Proprietary Fund. Net Investment in Capital Assets (e.g. Equipment, Vehicles, Leasehold Improvements) decreased \$123,086 or 11%, mostly due to the increase in the depreciation expense.

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The following table summarizes the revenues and expenses of the District's activities:

**Table 2**  
**Statement of Activities**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues						
Charges for Services	\$ -	\$ -	\$ 280,667	\$ 322,787	\$ 280,667	\$ 322,787
Oper. Grants and Contr.	7,154,462	6,000,979	-	-	7,154,462	6,000,979
Capital Grants and Contr.	25,246	37,700	-	-	25,246	37,700
General Revenues						
Interest Income	-	-	561	830	561	830
Other Income	35	31	-	-	35	31
Total Revenues	<u>7,179,743</u>	<u>6,038,710</u>	<u>281,228</u>	<u>323,617</u>	<u>7,460,971</u>	<u>6,362,327</u>
Expenses:						
Management & Administration	325,725	249,997	-	-	325,725	249,997
Training & Reimbursement	6,966,134	5,897,959	-	-	6,966,134	5,897,959
Operating Expenses	-	-	355,477	406,887	355,477	406,887
Total Expenses	<u>7,291,859</u>	<u>6,147,956</u>	<u>355,477</u>	<u>406,887</u>	<u>7,647,336</u>	<u>6,554,843</u>
Change in Net Position	(112,116)	(109,246)	(74,249)	(83,270)	(186,365)	(192,516)
Beginning Net Position	917,286	1,026,532	601,719	684,989	1,519,005	1,711,521
Ending Net Position	<u>\$ 805,170</u>	<u>\$ 917,286</u>	<u>\$ 527,470</u>	<u>\$ 601,719</u>	<u>\$ 1,332,640</u>	<u>\$ 1,519,005</u>

Revenues for ILEAS are generated from multiple sources with the majority of revenue derived from Operating Grant Income in the Governmental Fund. 95% of Total Revenues in 2018 were from Operating Grant Revenue. There was an overall increase to Operating Grant Income of \$1.1 million or 19% from 2017, much due to the focused purchasing of equipment and goods to be received by June 30, 2018. ILEAS does generate other revenue, including Training Center Revenues and Dues Revenues from Member Agencies. There was a reduction of 13% in Charges for Services, which is due to a special event that occurred in 2017 representing approximately \$50,000.

Total Expenses for FY 18 increased \$1.093 million or \$16%. Again, much of that increase in expenses is due to the focused purchase of goods and equipment to be received in the FY 18 fiscal year. In prior years there tended to be carryover in spending grant funds after the June 30<sup>th</sup> date, which would then affect the next Fiscal Year.

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**Financial Analysis of the Funds**

Fund financial statements for the District's governmental funds are presented on pages 13 through 16. Fund financial statements for the District's proprietary fund are presented on pages 17 through 19.

In the Governmental Fund, total Assets increased \$864,561 or 74% mostly due to a \$700,000 increase in Grants Receivable due to the focused purchasing of equipment and goods prior to June 30<sup>th</sup> of 2018. Of course, on the Liability side, Accounts Payable increased as well, again due to the purchasing of equipment and goods prior to the end of June. The increase of Total Liabilities was \$864,835, a 76%, of which \$649,437 is an increase to Accounts Payable. Both Revenues and Expenses have increased approximately 18% or \$1.1 million, which reflects both additional grants received as well as spending focused to be completed by June 30, 2018.

In the Proprietary fund, Total Assets have remained fairly consistent from prior year but cash has decreased \$107,176 but the amount Due from the Governmental Fund has increased \$117,533 due to funds not yet transferred from the Governmental Fund to the Proprietary Fund. Total Liabilities have increased \$84,677, mostly due to \$78,700 spent from the Line of Credit account at PNC Bank. Revenues and expenses were consistent from 2017 to 2018 with the exception of the Income and Expense from coordination of law enforcement duties of the 2016 Cubs Parade, which was included in the 2017 Proprietary Fund Financials.

There are no restrictions, commitments or other limitations which would significantly affect the ability of fund resources for future use.

**Capital Asset Administration:**

ILEAS' investment in capital assets includes Leasehold Improvements, Equipment and Vehicles. The investment in capital assets as of June 30, 2018 was \$986,678 (net of accumulated depreciation), a decrease of \$123,086 over last year.

The following Comparative Statement of Capital Assets, net of depreciation shows the change in assets for the governmental activities and the business-type activities.

**Table 3  
Comparative Statement of Capital Assets**

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Leasehold Improvements	\$ 747,083	\$ 828,583	\$ -	\$ -
Equipment & Vehicles	136,257	157,623	-	-
Vehicles	66,016	79,165	37,322	44,393
	<u>\$ 949,356</u>	<u>\$ 1,065,371</u>	<u>\$ 37,322</u>	<u>\$ 44,393</u>

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New capital assets totaling \$25,246 were added during the year, which represent the cost of a solar generator and an inflatable radio tower with trailer. There are no commitments for future capital expenditures that are not already reflected in the audit document.

Additional information on ILEAS' Capital Assets can be found in Note 7 of this report.

**Debt Administration:**

The following is a Comparative Statement of Long-term debt for the governmental activities and the business-type activities.

**Table 4**  
**Comparative Statement of Long-Term Debt**

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Accrued Compensated Absences	\$ 181,849	\$ 186,022	\$ 8,753	\$ 7,597

At the end of the current fiscal year, ILEAS had long-term debt outstanding of \$190,602 which represents the total of Accrued Compensated Absences. There is no other long-term debt. The balance of Accrued Compensated Absences has decreased \$3,017 from prior year, which represents a 1.5% decrease. ILEAS has assumed all compensated absences to be due within one year. Since grant funding is established for a period of greater than one year, the payment of these accruals should not affect future planned services.

Additional information on ILEAS' long-term debt can be found in Note 8 of this report.

**Economic Factors and Future Years:**

A majority of ILEAS' budget is Federally funded. ILEAS has been part of the Homeland Security Grant Program for a number of years and has no reason to believe that this won't remain at consistent financial levels in the future years. Additionally, ILEAS has received a 2018 grant from the Illinois Department of Public Health, for distribution of Narcan to Law Enforcement professionals, which creates the possibility of multiple year grants for the same purpose. Be that as it may, management has looked for ways to diversify in order to improve operations and to possibly create other revenue streams outside of grants. One of those ways is the creation and implementation of the Learning Management System. Staff is successfully working on developing a customer base for this product.

There are currently no know contingencies that would force a major change in ILEAS' budgeting or spending.

**Request for Information:**

This financial report is designed to provide a general overview of ILEAS' finances, comply with finance related laws and regulations, and demonstrate ILEAS' commitment to public accountability to all those with an interest in ILEAS' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Janet Plotner, Finance Manager, ILEAS, 1701 East Main Street, Urbana, IL 61802.

## ILLINOIS LAW ENFORCEMENT ALARM SYSTEM

## Statement of Net Position

June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 165,464	\$ 373,485	\$ 538,949	\$ 159,340
Grants Receivable	1,784,394	-	1,784,394	-
Accounts Receivable	-	10,000	10,000	-
Dues Receivable	-	2,760	2,760	-
Merchandise Inventory	-	-	-	8,697
Due from ILEAS Foundation	-	3,000	3,000	-
Internal Balance	(190,268)	190,268	-	-
Prepaid Expenses	80,026	10,464	90,490	-
Capital Assets, Net of Accumulated Depreciation	949,356	37,322	986,678	-
Total Assets	<u>\$ 2,788,972</u>	<u>\$ 627,299</u>	<u>\$ 3,416,271</u>	<u>\$ 168,037</u>
<b>LIABILITIES</b>				
Due to ILEAS	\$ -	\$ -	\$ -	\$ 3,000
Accounts Payable	1,597,248	2,422	1,599,670	947
Accrued Payroll	45,190	-	45,190	-
Unearned Revenue	159,515	9,954	169,469	100,000
Line of Credit	-	78,700	78,700	-
Non-Current Liabilities				
Due Within One Year	181,849	8,753	190,602	-
Total Liabilities	<u>\$ 1,983,802</u>	<u>\$ 99,829</u>	<u>\$ 2,083,631</u>	<u>\$ 103,947</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 949,356	\$ 37,322	\$ 986,678	\$ -
Unrestricted	(144,186)	490,148	345,962	64,090
Total Net Position	<u>\$ 805,170</u>	<u>\$ 527,470</u>	<u>\$ 1,332,640</u>	<u>\$ 64,090</u>

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Statement of Activities  
For the Year Ended June 30, 2018

	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental Activities:						
Management and Administration	\$ 325,725	\$ -	\$ 325,725	\$ -	\$ -	\$ -
Training and Reimbursements	6,966,134	-	6,828,737	25,246	(112,151)	(112,151)
Total Governmental Activities	7,291,859	-	7,154,462	25,246	(112,151)	(112,151)
Business-Type Activities:						
Operating Expenses	355,477	280,667	-	-	(74,810)	(74,810)
Total Primary Government	<u>\$ 7,647,336</u>	<u>\$ 280,667</u>	<u>\$ 7,154,462</u>	<u>\$ 25,246</u>	<u>(112,151)</u>	<u>(186,961)</u>
General Revenues:						
Interest Income				-	561	561
Other Income				35	-	35
Total General Revenues				<u>35</u>	<u>561</u>	<u>596</u>
Change in Net Position				(112,116)	(74,249)	(186,365)
Net Position, Beginning of Year				<u>917,286</u>	<u>601,719</u>	<u>1,519,005</u>
Net Position, End of Year				<u>\$ 805,170</u>	<u>\$ 527,470</u>	<u>\$ 1,332,640</u>

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
 Statement of Activities - Component Unit  
 For the Year Ended June 30, 2018

<b>Support and Revenue</b>	
Conferences	\$ 25,685
Contributions	3,465
Sales of Inventory, Net of Costs of \$6,836	(1,799)
Other	5,396
Total Support and Revenue	32,747
 <b>Expenses</b>	
Program Expenses	
Conference Expenses	12,428
Grant to Business Fund	16,450
Management Services Expenses	19,940
Total Program Expenses	48,818
General and Administration	
General Administrative Expenses	3,795
Insurance	2,008
Miscellaneous	205
Total General and Administration Expenses	6,008
Total Expenses	54,826
<b>Changes in Unrestricted Net Assets</b>	(22,079)
<b>Unrestricted Net Assets, Beginning of Year</b>	86,169
<b>Unrestricted Net Assets, End of Year</b>	\$ 64,090

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
 Balance Sheet  
 Governmental Fund  
 June 30, 2018

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 165,464
Grants Receivable	1,784,394
Prepaid Expenditures	80,026
Total Assets	\$ 2,029,884
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Due to Proprietary Fund	\$ 190,268
Accounts Payable	1,597,248
Accrued Payroll	45,190
Unearned Revenue	159,515
Total Liabilities	1,992,221
Fund Balance	
Non-Spendable:	
Prepaid Items	80,026
Unassigned	(42,363)
Total Fund Balance	37,663
Total Liabilities and Fund Balance	\$ 2,029,884

See Accompanying Notes



ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Reconciliation of the Balance Sheet - Governmental Fund  
to the Statement of Net Position  
June 30, 2018

Total Fund Balance, Governmental Fund	\$	37,663
Capital Assets, Net of Depreciation Used in Governmental Activities		949,356
Accrued Compensated Absences Related to Governmental Activities		<u>(181,849)</u>
Net Position of Governmental Activities	\$	<u><u>805,170</u></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, 2018

	<u>General Fund</u>
<b>Revenues</b>	
Federal Sources:	
Grants	\$ 7,179,708
Other Income	35
Total Revenues	7,179,743
 <b>Expenditures</b>	
Current:	
Management and Administration	325,725
Training and Reimbursements	6,854,292
Total Expenditures	7,180,017
 <b>Net Change in Fund Balance</b>	(274)
 <b>Fund Balance, Beginning of Year</b>	37,937
 <b>Fund Balance, End of Year</b>	\$ 37,663

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, 2018

Net Change in Fund Balance, Total Governmental Fund	\$	(274)
Change in Accrued Compensated Absences Related to Governmental Activities		4,173
Depreciation and Amortization on Capital Assets		(141,261)
Purchases of Capital Assets		<u>25,246</u>
Change in Net Position of Governmental Activities	\$	<u>(112,116)</u>

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Statement of Net Position  
*Proprietary Fund*  
June 30, 2018

		Enterprise Fund
		Business Fund
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$	373,485
Accounts Receivable		10,000
Dues Receivable		2,760
Due from Governmental Fund		190,268
Due from ILEAS Foundation		3,000
Prepaid Expenses		10,464
Total Current Assets		589,977
Capital Assets, Net of Accumulated Depreciation		37,322
Total Assets		627,299
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable		2,422
Accrued Compensated Absences		8,753
Unearned Revenue		9,954
Line of Credit		78,700
Total Liabilities		99,829
<b>NET POSITION</b>		
Net Investment in Capital Assets		37,322
Unrestricted		490,148
Total Net Position	\$	527,470

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, 2018

	Enterprise Fund
	Business Fund
<b>Operating Revenues</b>	
Membership Dues	\$ 102,865
Management Services Income	29,208
Training Center Lease Income	75,807
Conferences	51,720
Training Center Income	20,590
Other Income	477
Total Operating Revenues	280,667
<b>Operating Expenses</b>	
Agency Program Expenses	100,103
General Administrative Expense	104,990
Management Services Expenses	23,184
Conference Expenses	65,072
Insurance	55,057
Depreciation	7,071
Total Operating Expenses	355,477
<b>Operating Income (Loss)</b>	(74,810)
<b>Non-Operating Revenues (Expenses)</b>	
Interest Income	561
<b>Change in Net Position</b>	(74,249)
<b>Net Position, Beginning of Year</b>	601,719
<b>Net Position, End of Year</b>	\$ 527,470

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Statement of Cash Flows  
*Proprietary Fund*  
For the Year Ended June 30, 2018

	Enterprise Fund
	Business Fund
<b>Cash Flows from Operating Activities</b>	
Receipts from Users and Members	\$ 278,010
Payments to Employees	(108,298)
Payments to Suppliers	(238,616)
Net Cash Provided by (Used in) Operating Activities	(68,904)
<b>Cash Flows from Noncapital Financing Activities</b>	
Proceeds from Line of Credit	195,700
Repayments on Line of Credit	(117,000)
Net Cash Provided by (Used in) Noncapital Financing Activities	78,700
<b>Cash Flows from Investing Activities</b>	
(Increase) Decrease in Due from Governmental Fund	(117,533)
Interest	561
Net Cash Provided by (Used in) Investing Activities	(116,972)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(107,176)
<b>Cash and Cash Equivalents, Beginning of Year</b>	480,661
<b>Cash and Cash Equivalents, End of Year</b>	\$ 373,485
<b>Cash Flows from Operating Activities</b>	
Operating Income (Loss)	\$ (74,810)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation Expense	7,071
Change in Assets and Liabilities:	
(Increase) Decrease in Receivables	(7,673)
(Increase) Decrease in Prepaid Expenses	532
Increase (Decrease) in Accounts Payable	(196)
Increase (Decrease) in Accrued Compensated Absences	1,156
Increase (Decrease) in Unearned Revenue	5,016
Total Adjustments	5,906
Net Cash Provided by (Used in) Operating Activities	\$ (68,904)

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Notes to the Basic Financial Statements  
June 30, 2018

**1. Nature of Organization**

Illinois Law Enforcement Alarm System (the Organization or 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. 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 (U.S. GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing U.S. GAAP for state and local governments. U.S. 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 U.S. GAAP, these financial statements present the financial reporting entity of the Organization, including the Foundation, which is 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 include 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. The allowance for doubtful accounts at June 30, 2018 was \$0.

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, 2018, 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, 2018, 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 \$5,000 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 estimated

acquisition 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. Unearned Revenue

*Governmental Activities and General Fund* – Grant funds received under agreements that require the provision of services by the Organization are recognized as revenue to the extent that expenses have been incurred for the purpose specified by the grantor. The excess of grant funds received over grant expenditures incurred is accounted for as unearned revenue. The excess of grant expenditures over grant funds received is accounted for as grants receivable to the extent that additional grant revenue has been awarded and will be paid.

*Business-Type Activities and Business Fund* – Unearned revenue consists of prepayments received on rental agreements and other contractual agreements.

j. 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, 2018.

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 no item that qualifies for reporting in this category at June 30, 2018.

k. 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.

l. 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.

m. 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, management and administration, 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 other services provided for member agencies and other parties.
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n. 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.

o. 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.

p. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The significant estimates of the primary government of the Organization at June 30, 2018 include the allowance for doubtful receivables and the estimate of the useful lives of capital assets.

**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, 2018, the book balance of \$538,949 reconciled to a bank balance of \$545,538. The Organization’s cash accounts were fully insured by the Federal Deposit Insurance Corporation at June 30, 2018.

*Cash Equivalents*

At June 30, 2018, the Organization held the following cash equivalents:

Money Market Accounts	<u>\$ 462,534</u>
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**6. Grants Receivable**

As of June 30, 2018, the Organization had grants receivable from the U.S. Department of Homeland Security and U.S. Department of Commerce, through the Illinois Emergency Management Agency (IEMA), in the amounts of \$1,778,783 and \$4,208, respectively. In total, \$1,782,991 is receivable from federal government grants passed through IEMA, which is approximately 64 percent of the governmental activities assets and 88 percent of

the General Fund's assets at June 30, 2018. The remaining grants receivable is from the U.S. Department of Health and Human Services through the Illinois Department of Public Health.

## 7. Capital Assets

The following is a summary of the changes in capital assets of the governmental activities for the year ended June 30, 2018:

	June 30, 2017	Additions	Deductions	June 30, 2018
<b>Cost</b>				
Leasehold Improvements	\$ 1,630,000	\$ -	\$ -	\$ 1,630,000
Equipment	707,411	25,246	-	732,657
Vehicles	132,709	-	-	132,709
Total	<u>2,470,120</u>	<u>25,246</u>	<u>-</u>	<u>2,495,366</u>
<b>Accumulated Depreciation and Amortization</b>				
Leasehold Improvements	801,417	81,500	-	882,917
Equipment	549,788	46,612	-	596,400
Vehicles	53,544	13,149	-	66,693
Total	<u>1,404,749</u>	<u>141,261</u>	<u>-</u>	<u>1,546,010</u>
Capital Assets, Net	<u>\$ 1,065,371</u>	<u>\$ (116,015)</u>	<u>\$ -</u>	<u>\$ 949,356</u>

Depreciation and amortization expense was \$141,261 for the year ended June 30, 2018 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, 2018:

	June 30, 2017	Additions	Deductions	June 30, 2018
<b>Cost</b>				
Vehicles	\$ 55,000	\$ -	\$ -	\$ 55,000
<b>Accumulated Depreciation</b>				
Vehicles	10,607	7,071	-	17,678
Capital Assets, Net	<u>\$ 44,393</u>	<u>\$ (7,071)</u>	<u>\$ -</u>	<u>\$ 37,322</u>

Depreciation expense was \$7,071 for the year ended June 30, 2018.



## 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, 2018:

	June 30, 2017	Issued	Retired	June 30, 2018	Due Within One Year
Accrued Compensated Absences	<u>\$186,022</u>	<u>\$184,341</u>	<u>\$188,514</u>	<u>\$181,849</u>	<u>\$181,849</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, 2018:

	June 30, 2017	Issued	Retired	June 30, 2018	Due Within One Year
Accrued Compensated Absences	<u>\$7,597</u>	<u>\$10,022</u>	<u>\$8,866</u>	<u>\$8,753</u>	<u>\$8,753</u>

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

## 9. Short-Term Debt

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, 2019 (following its renewal as of August 27, 2018). 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 a balance of \$78,700 as of June 30, 2018 and the interest rate was 5.90 percent.

The following is a summary of changes in the Organization's short-term liabilities of the business-type activities for the year ended June 30, 2018:

	June 30, 2017	Issued	Retired	June 30, 2018
Line of Credit	<u>\$ -</u>	<u>\$195,700</u>	<u>\$117,000</u>	<u>\$78,700</u>

## 10. Future Minimum Lease Payments

The Organization leases a facility from Champaign County, Illinois, used for all of its operations. The lease runs through December 31, 2020. The total expense incurred for the lease in the year ended June 30, 2018 was \$327,260. Future minimum lease payments are as follows:

Fiscal Year	
2019	\$ 351,466
2020	369,069
2021	189,025
Total	<u>\$ 909,560</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	
2019	\$ 407,100
2020	415,248
2021	423,552
2022	432,024
Total	<u>\$ 1,677,924</u>

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

Fiscal Year	
2019	\$ 47,085
2020	23,370
2021	23,655
Total	<u>\$ 94,110</u>

## 12. Contingencies

During the year ended June 30, 2018, there were no significant reductions in insurance coverage and there were no settlement amounts that have exceeded insurance coverage or that have not been covered by insurance in the past three years.

The Organization participates in a number of federal funded grant programs. Under the terms of these programs, periodic audits or examinations may be required, and certain costs may be questioned as not being appropriate expenses under the terms of these programs. Such audits or examinations could lead to reimbursements to grantor agencies. Based on prior experience, the Organization's management believes an audit or examination would not result in any material disallowed costs for grant revenue recorded in these financial statements or from prior years.

### **13. Concentration of Revenues**

For the year ended June 30, 2018, approximately 99 percent of the revenues of the governmental activities and the General Fund relate to grants from the federal government passed through the Illinois Emergency Management Agency.

### **14. 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, 2018, the Organization received \$19,209 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, 2018, the Organization recorded revenue of \$2,400 and \$17,540 for rent and services, respectively. At June 30, 2018, the Organization has an outstanding receivable balance of \$3,000 due from the Foundation.

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

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

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

- i. The Foundation's financial statements have been prepared on the accrual basis of accounting, in accordance with U.S. 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, 2018.

*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, 2018.

- ii. Grant funds received under agreements that require the provision of services by the Foundation are recognized as revenue to the extent that expenses have been incurred for the purpose specified by the grantor. The excess of grant funds received over grant expenditures incurred is accounted for as unearned revenue.

The excess of grant expenditures over grant funds received is accounted for as grants receivable to the extent that additional grant revenue has been awarded and will be paid.

- iii. 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.
- iv. The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.
- v. The Foundation has evaluated subsequent events through January 18, 2019, the date which the financial statements were available to be issued.

#### B. Inventory

The Foundation's inventory at June 30, 2018 consists entirely of merchandise inventory. Inventory is stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out (FIFO) basis. Cost for donated inventory is equal to the fair value on the date of donation.

#### C. 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, 2018, the Foundation made \$19,209 of contributions to the Organization. The Organization subleases space to the Foundation and provides administrative services for the Foundation. During the year ended June 30, 2018, the Foundation incurred expense of \$2,400 and \$17,540 for rent and services, respectively. At June 30, 2018, the Foundation has an outstanding payable balance of \$3,000 due to the Organization.

#### D. Future Commitments

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

Fiscal Year	
2019	<u><u>\$ 17,540</u></u>

#### E. New Not-for-Profit Entities Accounting Standards

##### *Presentation of Financial Statements of Not-for-Profit Entities*

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. The provisions of

ASU 2016-14 require the presentation of two classes of net assets; net assets with donor or grantor restrictions and net assets without donor or grantor restrictions, rather than the currently required three classes. The provisions also require enhanced disclosures about how the entity manages its liquid resources, quantitative information about the availability of financial assets to meet cash needs for general expenditure within one year of the statement of financial position date, amounts of expenses by both their natural and functional classification, and the methods used to allocate costs among program and support functions. ASU 2016-14 is effective for the Organization's Fiscal Year 2019.

*Revenue from Contracts with Customers*

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and subsequently issued clarifying ASUs 2015-14, 2016-08, 2016-10, and 2016-12, hereafter referred to as "the clarifying ASUs." The provisions of ASU 2014-09 and the clarifying ASUs require an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The updated standard will be effective for the Organization's Fiscal Year 2020. Early adoption is permitted.

*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The provisions of ASU 2018-08 updates existing guidance related to the recognition of revenue from contributions and grants. The standard will be effective for the Organization's Fiscal Year 2020. Early adoption is permitted.

The Organization is currently evaluating the effects that these updated standards will have on future financial statements, if any.

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

Federal Grantor / Pass-through Entity / Program Title	Federal CFDA Number	Pass-through Grantor's Identifying Number	Receivable (Unearned) Revenue 6/30/2017	Grant Revenue Received	Federal Expenditures	Receivable (Unearned) Revenue 6/30/2018	Total Provided to Subrecipients
<b>U.S. Department of Homeland Security</b>							
<i>Pass-through from Illinois Emergency Management Agency</i>							
Homeland Security Grant Program							
State Homeland Security Program:							
2015 State Homeland Security Program							
	*	97.067					
		15ILEASADM	\$ (577)	\$ 1,234	\$ 1,811	\$ -	\$ -
		15ILEASIMT	8,884	11,662	2,778	-	-
		15ILEASPLN	37,361	80,373	43,012	-	-
		15ILEASSRT	485,956	776,838	290,882	-	-
		15ILEASTRN	4,185	135,545	131,360	-	-
		15ILEASCOM	239,212	311,622	72,410	-	-
		15ILEASTRT2	-	-	113,849	113,849	-
2016 State Homeland Security Program							
		16ILEASCAR	-	323,438	378,338	54,900	-
		16ILEASCOM	28,480	591,019	756,983	194,444	-
		16ILEASIMT	698	12,372	19,228	7,554	-
		16ILEASPLN	(390)	1,060,494	1,109,343	48,459	-
		16ILEASPRG	(5,099)	106,711	110,789	(1,021)	-
		16ILEASSRT	164,467	1,559,157	2,088,232	693,542	-
		16ILEASTRN	(2,985)	624,735	689,031	61,311	-
2017 State Homeland Security Program							
		16ILEIMERT	57	31,738	31,681	-	-
		17ILEASCOM	-	-	255	255	-
		17ILEASSRT	-	-	162,060	162,060	-
		17ILEASTRN	-	-	122	122	-
		17ILEIMERT	-	675	669	(6)	-
Urban Area Security Initiative:							
2015 Urban Area Security Initiative							
		15UAILESRT	35,549	45,267	9,718	-	-
		15UAILEIMT	-	811	811	-	-
2016 Urban Area Security Initiative							
		16UAILECOM	3,015	112,503	120,728	11,240	-
		16UAILEIMT	(206)	-	2,385	2,179	-
		16UAISPLN	1,162	94,249	93,974	887	-
		16UAILPRG	(77)	39,659	39,736	-	-
		16UAILESRT	696	232,691	602,721	370,726	-
		16UASIMERT	57	31,738	31,681	-	-
2017 Urban Area Security Initiative							
		17UAILECOM	-	-	113	113	-
		17UAILESRT	-	-	42,644	42,644	-
		17UAILEIMERT	-	675	674	(1)	-
<b>Total U.S. Department of Homeland Security</b>			<b>1,000,445</b>	<b>6,185,206</b>	<b>6,948,018</b>	<b>1,763,257</b>	<b>-</b>
<b>U.S. Department of Commerce</b>							
<i>Pass-through from Illinois Emergency Management Agency</i>							
State and Local Implementation Program							
	11.549	13SLIGPILE	13,518	178,157	164,639	-	-
		17SLIGPILE	-	24,912	22,582	(2,330)	-
<b>Total U.S. Department of Commerce</b>			<b>13,518</b>	<b>203,069</b>	<b>187,221</b>	<b>(2,330)</b>	<b>-</b>
<b>U.S. Department of Health and Human Services</b>							
<i>Pass-through from Illinois Department of Public Health</i>							
Rural Illinois Opioid Overdose Prevention-Naloxone Distribution							
	93.243	82180252F	-	182,880	44,469	(138,411)	-
<b>Total</b>			<b>\$ 1,013,963</b>	<b>\$ 6,571,155</b>	<b>\$ 7,179,708</b>	<b>\$ 1,622,516</b>	<b>\$ -</b>

\* - Denotes a major program.

See Notes to the Schedule of Expenditures of Federal Awards

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

**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, 2018. 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, 2018.

**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, 2018.

**3. Capital Assets**

Capital asset purchases that are presented as expenditures in the schedule may be capitalized as assets 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, 2018.

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

**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 does not qualify as a low risk auditee.

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

**2018-001:** Material Adjusting Journal Entry 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 a material misstatement of financial statement amounts provided to us by management. Subsequent to identifying the misstatement, we proposed, and management approved, an adjusting journal entry, which has corrected the identified misstatement in the financial statements.

*Population of Items Tested*

Our audit procedures identified one material adjusting journal entry to correct errors in the financial statements that had not previously been identified by the Organization's internal controls. The adjusting journal entry related to the Organization.

*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, 2018 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 the Year Ended June 30, 2018

**2017-001 – Material Adjusting Journal Entries Identified as a Result of Procedures Applied by the Organization’s External Auditors – Material Weakness**

*Condition*

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.

*Recommendation*

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.

*Current Status*

A material weakness finding related to a material adjusting journal entry is reported for the fiscal year ended June 30, 2018.

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, 2018, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated January 18, 2019.

### **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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2018-001, 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.



Champaign, Illinois  
January 18, 2019

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, 2018. 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 programs.

### ***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.

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, 2018.

### **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 LLC*  
Champaign, Illinois  
January 18, 2019