

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

JUNE 30, 2015

LEGG & LEGG, LLP

Certified Public Accountants

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
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ILLINOIS LAW ENFORCEMENT ALARM SYSTEM

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LEGG & LEGG, LLP

Certified Public Accountants

Billy L. Legg, CPA

James C. Legg, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Illinois Law Enforcement Alarm System

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the business-type activities of Illinois Law Enforcement Alarm System as of and for the year ended June 30, 2015, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities, of the Illinois Law Enforcement Alarm System, as of June 30, 2015, 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.

Required Supplementary Information

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Illinois Law Enforcement Alarm System's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 31, 2015, on our consideration of the Illinois Law Enforcement Alarm System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Illinois Law Enforcement Alarm System's internal control over financial reporting and compliance.

Springfield, IL

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ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
STATEMENT OF NET ASSETS
June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 102,819	\$ 745,894	\$ 848,713
Grants receivable	362,542		362,542
Amounts due from contracts		19,426	19,426
Dues receivable		1,020	1,020
Merchandise inventory		7,618	7,618
Due from Governmental Fund		97,617	97,617
Prepaid expenses		9,146	9,146
Capital assets net of depreciation:			
Leasehold improvements	991,583		991,583
Equipment	31,586		31,586
Vehicles	28,968		28,968
Total Assets	1,517,498	880,721	2,398,219
Liabilities			
Due to Proprietary Fund	97,617		97,617
Accounts payable	268,017	6,852	274,869
Deferred revenue	61,423	10,239	71,662
Total Liabilities	427,057	17,091	444,148
Net Assets			
Invested in capital assets	1,052,137		1,052,137
Restricted for:			
Grant projects	38,304		38,304
Unrestricted		863,630	863,630
Total Net Assets	\$ 1,090,441	\$ 863,630	\$ 1,954,071

The accompanying notes are an integral part of these financial statements

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ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Management and administration	\$ 253,069	\$	253,069	\$ -		\$ -
Task force equipment	1,249,871		1,249,871	-		-
Planning, conferences, training and workshops	5,226,782		4,789,348	(437,434)		(437,434)
Total governmental activities	<u>6,729,722</u>		<u>6,292,288</u>	<u>(437,434)</u>		<u>(437,434)</u>
Business-type Activity:						
Administration and projects	425,155	\$ 386,819	360		\$ (37,976)	(37,976)
Total business-type activity	<u>425,155</u>	<u>386,819</u>	<u>360</u>		<u>(37,976)</u>	<u>(37,976)</u>
Total primary government	<u>\$ 7,154,877</u>	<u>\$ 386,819</u>	<u>\$ 6,292,648</u>	<u>(437,434)</u>	<u>(37,976)</u>	<u>(475,410)</u>
General Revenues:						
Interest income				3	1,701	1,704
Total general revenues				<u>3</u>	<u>1,701</u>	<u>1,704</u>
Change in net assets				(437,431)	(36,275)	(473,706)
Net assets - beginning				1,527,872	899,905	2,427,777
Net assets - ending				<u>\$ 1,090,441</u>	<u>\$ 863,630</u>	<u>\$ 1,954,071</u>

The accompanying notes are an integral part of these financial statements

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2015

	General Fund	Total Governmental Fund
Assets		
Cash and cash equivalents	\$ 102,819	\$ 102,819
Grants receivable	362,542	362,542
Total Assets	<u>465,361</u>	<u>465,361</u>
Liabilities		
Deferred revenue	61,423	61,423
Due to Proprietary Fund	97,617	97,617
Accounts payable	268,017	268,017
Total Liabilities	<u>427,057</u>	<u>427,057</u>
Fund Balance		
Restricted for:		
Grant projects	38,304	38,304
Total Fund Balance	<u>38,304</u>	<u>38,304</u>
Total Liabilities and Fund Balance	<u>465,361</u>	

Reconciliation to Statement of Net Assets:

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities of \$2,194,933 net of accumulated depreciation of \$1,142,796 are not financial resources and therefore, are not reported in the funds.

1,052,137

Net assets of governmental activities

\$ 1,090,441

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2015

Reconciliation to Statement of Activities:

Net change in fund balance - governmental fund \$ 549,710

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$112,279) exceeded capital outlays (none) in the current period. (112,279)

Change in Net Assets of Governmental Activities \$ 437,431

The accompanying notes are an integral part of these financial statements

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
For the Year Ended June 30, 2015

	<u>General Fund</u>
Revenues:	
Federal sources:	
Grants-in-aid	\$ 6,292,288
Total revenues	<u>6,292,288</u>
Expenditures:	
Current:	
Management and administration	253,065
Training and reimbursements	6,476,653
Net capital outlay (current purchases less applicable current depreciation)	<u>(112,279)</u>
Total Expenditures	<u>6,617,439</u>
(Decrease) expenditures over revenues	(325,151)
Fund balance at beginning of year	<u>363,455</u>
Fund balance at end of year	<u><u>\$ 38,304</u></u>

The accompanying notes are an integral part of these financial statements

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS (BUSINESS-TYPE ACTIVITIES)
June 30, 2015

	Business Fund	Foundation Fund	Total
Assets:			
Current Assets			
Cash and cash equivalents	\$ 666,078	\$ 79,816	\$ 745,894
Accounts receivable	19,426		19,426
Dues receivable	1,020		1,020
Merchandise inventory		7,618	7,618
Due from Governmental Fund	97,617		97,617
Due from ILEAS Foundation	3,000		3,000
Prepaid expenses	9,146		9,146
Total Assets	<u>796,287</u>	<u>87,434</u>	<u>883,721</u>
Liabilities:			
Current Liabilities:			
Accounts payable	2,570	4,282	6,852
Deferred revenue	10,239		10,239
Due to Business Fund		3,000	3,000
Total Liabilities	<u>12,809</u>	<u>7,282</u>	<u>20,091</u>
Net Assets:			
Unrestricted	783,478	80,152	863,630
Total Liabilities and Net Assets	<u>\$ 796,287</u>	<u>\$ 87,434</u>	<u>\$ 883,721</u>

The accompanying notes are a part of these financial statements

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS (BUSINESS-TYPE ACTIVITIES)
For the Year Ended June 30, 2015

	<u>Business Fund</u>	<u>Foundation Fund</u>	<u>Total</u>
Operating Revenues:			
Membership dues	\$ 102,190		\$ 102,190
Conferences	89,850	\$ 23,878	113,728
Contributions		360	360
Management services income	48,057		48,057
Training Center income	21,239		21,239
Training Center lease income	84,071		84,071
Gain on sale of inventory		3,551	3,551
Grant from Foundation Fund	13,000		13,000
All other income	227	756	983
Total Operating Income	<u>358,634</u>	<u>28,545</u>	<u>387,179</u>
Operating Expenses:			
Conference expenses	93,639	6,735	100,374
General administrative expenses	79,474	1,688	81,162
Management services expenses	38,054	5,800	43,854
Agency program expenses	126,932		126,932
Advertising and promotion	11,885		11,885
Insurance	45,783	2,165	47,948
Grant to Business Fund		13,000	13,000
Total Operating Expenses	<u>395,767</u>	<u>29,388</u>	<u>425,155</u>
Net Operating Revenues (Loss)	<u>(37,133)</u>	<u>(843)</u>	<u>(37,976)</u>
Nonoperating Revenues:			
Interest income	<u>1,701</u>	<u>-</u>	<u>1,701</u>
Change in Net Assets	<u>(35,432)</u>	<u>(843)</u>	<u>(36,275)</u>
Total Net Assets - Beginning	<u>818,910</u>	<u>80,995</u>	<u>899,905</u>
Total Net Assets - Ending	<u>\$ 783,478</u>	<u>\$ 80,152</u>	<u>\$ 863,630</u>

The accompanying notes are an integral part of these financial statements

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2015

	Business Fund	Foundation Fund	Total
Cash Flows From Operating Activities:			
Conference income	\$ 89,850	\$ 23,878	\$ 113,728
Membership dues	103,200		103,200
Management services	33,762		33,762
Contributions		360	360
Training Center lease income	81,277		81,277
Training Center income	21,239		21,239
Sale of inventory		6,710	6,710
Grant from Foundation Fund	13,000		13,000
All other income	227	756	983
Payment to suppliers	(414,781)	(30,921)	(445,702)
Net cash provided (used) by operating activities	<u>(72,226)</u>	<u>783</u>	<u>(71,443)</u>
Cash Flows From Investing Activities:			
Interest	1,701		1,701
Net cash provided by investing activities	<u>1,701</u>		<u>1,701</u>
Cash Flows To Financing Activities			
Payments to Governmental Fund and Affiliates	(96,615)		(96,615)
Net cash provided by Governmental Fund Affiliates	<u>(96,615)</u>		<u>(96,615)</u>
 Net increase (decrease) in cash and cash equivalents	(167,140)	783	(166,357)
Balance - beginning of year	<u>833,218</u>	<u>79,033</u>	<u>912,251</u>
Balance - end of year	<u>\$ 666,078</u>	<u>\$ 79,816</u>	<u>\$ 745,894</u>
 Reconciliation of operating income to net cash provided by operating activities:			
Total income (loss)	\$ (35,432)	\$ (843)	\$ (36,275)
Less interest income	<u>(1,701)</u>		<u>(1,701)</u>
Operating income (loss)	(37,133)	(843)	(37,976)
Change in assets:			
Membership dues receivable	1,010		1,010
Amounts due from contracts	(14,295)		(14,295)
Prepaid expenses	(353)		(353)
Merchandise inventory		(2,521)	(2,521)
Accounts payable	(18,661)	4,147	(14,514)
Accrued insurance			
Deferred revenues	(2,794)		(2,794)
Net cash provided by operating activities	<u>\$ (72,226)</u>	<u>\$ 783</u>	<u>\$ (71,443)</u>

The accompanying notes are an integral part of these financial statements

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Illinois Law Enforcement Alarm System (ILEAS) was formed in 2002 as an alliance of all law enforcement agencies in the State of Illinois for the purpose of mutual aid, homeland security and the combining of resources for public safety. ILEAS represents all the sheriff's offices and several hundred police departments in Illinois.

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

ILEAS has established and manages a state-wide mutual aid plan whereby, member departments can "pre-plan" disaster and crisis mutual aid. If a department needs assistance during an incident, ILEAS can share that burden by notifying and coordinating the pre-plan mutual aid agencies responses.

ILEAS is divided into 8 geographic regions which are based on Illinois Emergency Management Agency regions. Each region elects a chief-of-police and a sheriff to act as regional co-chairs. The ILEAS Governing Board is made up of:

- 16 Regional Co-Chairs
- 2 Representatives from Chicago PD
- 1 Representative from the Illinois State Police
- 1 Representative from the Illinois Sheriff's Association
- 1 Representative from the Illinois Association of Chiefs of Police

Any of the Governing Board members can appoint a permanent delegate to the Board. Additionally, ILEAS has added advisory, non-voting ex-officio members to the Governing Board. The President of ILEAS has appointed an Executive Committee consisting of elected Governing Board Officers to manage the day to day activities. ILEAS has hired staff to administer the Federal Homeland Security grants which make up a majority of ILEAS funds.

ILEAS is both a coalition/consortium of local agencies as established by law in Illinois and a non-profit corporation which share identical officers and by-laws. As required by U.S. generally accepted accounting principles, these financial statements include ILEAS and its component units, entities for which ILEAS is considered to be financially accountable. At June 30, 2015 no entities were considered a component unit of ILEAS. Also, ILEAS is not considered a component unit of any other government entity.

The mission of ILEAS is to meet the needs of law enforcement throughout the State of Illinois in matters of mutual aid, emergency response and the combining of resources for public safety.

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Notes to Financial Statements
June 30, 2015

Measurement focus, basis of accounting, and financial statement presentation

In the government-wide statement of net assets and the statement of activities, both governmental and business-type activities are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Grants, entitlements, and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the Organization receives cash.

Fund accounting

The accounts of ILEAS are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary.

The funds of the financial reporting entity are described below:

Governmental Fund – This is used to account for all grant activities in the Organization.

Proprietary Funds – There are two proprietary funds that are used to account for business-type activities provided through the Organization. A business account was established to record activities financed primarily by conferences, management services and other non-grant related activities. In addition, the Illinois Law Enforcement Alarm System Foundation was created to fund increased training and exercises for Illinois law enforcement agencies, to further the education and to sharpen skills of police officers, sheriff's deputies, and other law enforcement personnel with regard to Homeland Security. The Foundation is a tax-exempt organization under section 501 (c) (3) of the Internal Revenue Code and any contributions received are tax deductible under section 170 of the code and is not a private foundation. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for tax years ending 2012, 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Notes to Financial Statements
June 30, 2015

NOTE 2 – CASH AND INVESTMENTS

Cash and Cash Equivalents

For purposes of the statement of cash flows, ILEAS considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Periodically the total cash held by the Organization includes monies that are not covered by insurance provided by the federal government. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

NOTE 3 – INVENTORY VALUATION

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

NOTE 4 – GRANTS RECEIVABLE

At year-end ILEAS had approved grants receivable from the Department of Homeland Security in the amount of \$ 362,542.

NOTE 5 – CAPITAL ASSETS POLICY

Capital assets, which include buildings and leasehold improvements, apparatus and vehicles, and equipment, reported in the government-wide financial statements are defined by ILEAS as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. All capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and leasehold improvements	20-50 years
Apparatus and vehicles	5-25 years
Equipment	5-20 years

NOTE 6 – DEFINING OPERATING REVENUES AND EXPENSES

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

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Notes to Financial Statements
June 30, 2015

NOTE 7– GOVERNMENT-WIDE AND PROPRIETARY FUND NET ASSETS

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

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

NOTE 8– GOVERNMENTAL FUND BALANCES

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

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

NOTE 9 – PURPOSE OF DUE TO/FROM OTHER FUNDS

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

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Notes to Financial Statements
June 30, 2015

NOTE 10 - CAPITAL ASSETS

Capital assets for the year ending June 30, 2015 is as follows:

	Balance at June 30, 2014	Additions	Deductions	Balance at June 30, 2015
Governmental Activities:				
Capital assets:				
Leasehold improvements	\$ 1,630,000	\$ -	\$ -	\$ 1,630,000
Equipment	510,378	-	-	510,378
Vehicle	54,554	-	-	54,554
Total capital assets	<u>2,194,932</u>	<u>-</u>	<u>-</u>	<u>2,194,932</u>
Less accumulated depreciation for:				
Leasehold improvements	556,917	81,500	-	638,417
Equipment	453,379	25,414	-	478,793
Vehicles	20,219	5,365	-	25,584
Total accumulated depreciation	<u>1,030,515</u>	<u>112,279</u>	<u>-</u>	<u>1,142,794</u>
Government activities capital assets, net	<u>1,164,417</u>	<u>(112,279)</u>	<u>-</u>	<u>1,052,138</u>

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

Governmental Activities:	
Training Center	112,279
Total governmental activities depreciation expense	<u>\$ 112,279</u>

NOTE 11 - LEASE COMMITMENTS

On September 1, 2007 ILEAS entered into a lease agreement with Champaign County, Illinois. The premises leased is approximately 23 acres, including a 120,000 square foot building and a 5 bay garage located at 1701 East Main Street, Urbana, Illinois. The term of the lease (3 years) commenced on September 1, 2007 and expired on December 31, 2010.

On April 9, 2009 the original lease was amended and extended to December 31, 2011 (first extension).

On November 1, 2009 the original lease was extended to December 31, 2012 (second extension).

On November 1, 2010 the original lease was extended to December 31, 2013 (third extension).

On September 23, 2014 the original lease was extended until December 31, 2016.

A schedule of lease expense is as follows:

	Lease Expense
For the year ended June 30 ,2015	432,154
For the year ended June 30 ,2016	432,658
For the six months ended December 31, 2016	218,476

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Notes to Financial Statements
June 30, 2015

NOTE 12- RISK MANAGEMENT

ILEAS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. In order to protect against such losses, ILEAS has purchased insurance from private insurance companies. The amount of coverage has not decreased nor have the amount of settlements exceeded coverage levels in place during any of the past three years. Insurance expense for the year ended June 30, 2015 was \$45,782.

NOTE 13 - CONTINGENCIES

Litigation

As of June 30, 2015, ILEAS did not have any pending litigation or potential nondisclosed liabilities.

NOTE 14 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 31, 2015, the date which the financial statements were available to be issued.

LEGG & LEGG, LLP

Certified Public Accountants

Billy L. Legg, CPA

James C. Legg, CPA

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

To the Board of Directors
Illinois Law Enforcement Alarm System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of Illinois Law Enforcement Alarm System, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Illinois Law Enforcement Alarm System's basic financial statement's and have issued our report thereon dated December 31, 2015.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Illinois Law Enforcement Alarm System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Purpose of this Report

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

Jegg & Jegg L.L.P.

Springfield, IL

December 31, 2015

LEGG & LEGG, LLP

Certified Public Accountants

Billy L. Legg, CPA

James C. Legg, CPA

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

To the Board of Directors
Illinois Law Enforcement Alarm System

Report on Compliance for Each Major Federal Program

We have audited Illinois Law Enforcement Alarm System's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Illinois Law Enforcement Alarm System's major federal programs for the year ended June 30, 2015. Illinois Law Enforcement Alarm System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Illinois Law Enforcement Alarm System's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Illinois Law Enforcement Alarm System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Illinois Law Enforcement Alarm System's compliance.

Opinion on Each Major Federal Program

In our opinion, Illinois Law Enforcement Alarm System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Management of Illinois Law Enforcement Alarm System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Illinois Law Enforcement Alarm System's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Illinois Law Enforcement Alarm System's internal control over compliance.

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

2099 & 2099 L.L.P.

December 31, 2015

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Illinois Emergency Management Agency:			
2011 State Homeland Security Program	97.067	11ILEAPSAP	4,298
		11ILEASSRT	1,061,991
2012 State Homeland Security Program	97.067	12ILEASSRT	314,730
		12ILEASSEC	4,306
		121LEEMNET	9,169
		12STARCOM	7,580
2013 State Homeland Security Program	97.067	13ILEAPSAP	101,482
		13ILEASADM	163,790
		13ILEASCAR	127,177
		13ILEASIMT	23,716
		13ILEASPLN	646,382
		13ILEASSEC	140,075
		13ILEASSRT	1,980,463
		13ILEASTRN	213,132
		13ILEIMERT	31,383
2014 State Homeland Security Program	97.067	14ILEASADM	51,988
		14ILEASCAR	77,320
		14ILEASIMT	3,196
		14ILEASPLN	255,692
		14ILEASPRG	33,386
		14ILEASSRT	248,268
		14ILEASTRN	163,898
		14ILEIMERT	13,912

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
2012 Urban Area Security Initiative	97.067	12UASIPSAP	5,300
2013 Urban Area Security Initiative		13UASISEC	108,055
		13UASIPSAP	51,052
2014 Urban Area Security Initiative		14UASIADM	2,850
		14UASIPRG	11,248
Total U.S. Department of Homeland Security			5,855,839
U.S. DEPARTMENT OF COMMERCE			
Passed through Illinois Emergency Management Agency:			
2013 Telecommunications and Information System	11.549	13SLIGPILE	264,358
Total U.S. Department of Commerce			264,358
TOTAL EXPENDITURES OF FEDERAL AWARDS			6,120,197

**ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED JUNE 30, 2015**

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Illinois Law Enforcement Alarm System and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – SUMMARY OF CFDA TOTALS

<u>CFDA Number</u>	<u>Total Expenditures</u>
11.549	264,358
97.067	<u>5,855,839</u>
Total Expenditures of Federal Awards by CFDA Number	<u>\$ 6,120,197</u>

NOTE C – SUBRECIPIENTS

The Organization provided no amount to subrecipients from federal programs.

NOTE D – NONMONETARY ASSISTANCE

The Organization did not receive non-cash assistance, federal insurance coverage or loan guarantees during the year.

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

Summary Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es) yes X none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Reportable condition(s) identified that are not considered to be material weakness(es): yes X none reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? yes X no

**ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended June 30, 2015**

Identification of major programs:

CFDA Number (s)	Name of Federal Program or Cluster
97.067	State Homeland Security Program
97.067	Urban Area Security Initiative
11.549	Telecommunications and Information System

**Dollar threshold used to distinguish between
Type A and Type B programs:**

\$ 300,000

Auditee qualified as low-risk auditee:

yes X no