

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM

Urbana, Illinois

**Financial Statements  
and Supplementary Information**

For the Year Ended

June 30, 2020

**C O N T E N T S**

*Page*

INDEPENDENT AUDITOR’S REPORT ..... 1-3

**REQUIRED SUPPLEMENTARY INFORMATION**

MANAGEMENT’S DISCUSSION AND ANALYSIS ..... 4-9

**BASIC FINANCIAL STATEMENTS**

*Government-Wide Financial Statements*

Statement of Net Position  
(Exhibit A) ..... 10

Statement of Activities  
(Exhibit B) ..... 11

Statement of Activities – Component Unit  
(Exhibit C) ..... 12

Statement of Functional Expenses – Component Unit  
(Exhibit D) ..... 13

*Fund Financial Statements*

Balance Sheet – Governmental Fund  
(Exhibit E)..... 14

Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net Position  
(Exhibit E-1) ..... 15

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund  
(Exhibit F)..... 16

Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balance – Governmental Fund to the Statement of Activities  
(Exhibit F-1)..... 17

Statement of Net Position – Proprietary Fund  
(Exhibit G) ..... 18

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund  
(Exhibit H) ..... 19

Statement of Cash Flows – Proprietary Fund (Exhibit I).....	20
Notes to the Basic Financial Statements.....	21-37

**SUPPLEMENTARY INFORMATION**

Illinois Grant Accountability and Transparency – Consolidated Year-End Financial Report (Schedule 1) .....	38
Schedule of Expenditures of Federal Awards (Schedule 2) .....	39
Notes to the Schedule of Expenditures of Federal Awards .....	40
Schedule of Findings and Questioned Costs (Schedule 3) .....	41
Summary Schedule of Prior Audit Findings (Schedule 4) .....	42

**ADDITIONAL REPORTS REQUIRED UNDER *GOVERNMENT AUDITING STANDARDS*  
AND THE UNIFORM GUIDANCE**

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 <i>Government Auditing Standards</i> .....	43-44
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	45-47

## 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, 2020, 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.



CERTIFIED PUBLIC ACCOUNTANTS and CONSULTANTS

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, 2020, 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 4, 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 25, 2021, 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 25, 2021

Illinois Law Enforcement Alarm System  
Management's Discussion and Analysis  
As of and for the Year Ended June 30, 2020

## 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, 2020. 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, 2020 by \$949,423 (*total net position*). Of this amount, \$228,579 (*unrestricted*) may be used to meet ILEAS' ongoing obligations to creditors. The remainder is *invested in capital assets, which is* \$720,844.
- ILEAS' *net position end of year* decreased during the current year by \$197,545 (page 10).
- ILEAS' governmental fund (page 14) reported combined ending fund balances of \$37,165, a decrease of \$166 in comparison to the prior year ending fund balances of \$37,331.
- In the General Fund, the ending fund balance was \$37,165, or .49%, of total General Fund expenditures, a decrease of \$166, or .44%, 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

Illinois Law Enforcement Alarm System  
Management's Discussion and Analysis  
As of and for the Year Ended June 30, 2020

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 10-11 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 14 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 18-20 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 21-37 of this report.



Illinois Law Enforcement Alarm System  
Management's Discussion and Analysis  
As of and for the Year Ended June 30, 2020

**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 38.

**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 \$949,423 at the close of the most recent fiscal year representing a net decrease of \$197,545 (17%) over the prior year. Both Assets and Liabilities decreased in the Governmental Activities, due to the decrease in Grants Receivable and the corresponding decrease 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	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 1,147,415	\$ 2,011,476	\$ 517,270	\$ 533,785	\$ 1,664,685	\$ 2,545,261
Capital Assets	697,665	841,639	23,179	30,250	720,844	871,889
Total Assets	<u>1,845,080</u>	<u>2,853,115</u>	<u>540,449</u>	<u>564,035</u>	<u>2,385,529</u>	<u>3,417,150</u>
Long-Term Liabilities	251,001	217,757	2,590	4,552	253,591	222,309
Other Liabilities	1,110,250	1,974,145	72,265	73,728	1,182,515	2,047,873
Total Liabilities	<u>1,361,251</u>	<u>2,191,902</u>	<u>74,855</u>	<u>78,280</u>	<u>1,436,106</u>	<u>2,270,182</u>
Net Position						
Net Investment in						
Capital Assets	697,665	841,639	23,179	30,250	720,844	871,889
Unrestricted	(213,836)	(180,426)	442,415	455,505	228,579	275,079
Total Net Position	<u>\$ 483,829</u>	<u>\$ 661,213</u>	<u>\$ 465,594</u>	<u>\$ 485,755</u>	<u>\$ 949,423</u>	<u>\$ 1,146,968</u>

Unrestricted net position (\$228,579), the portion that can be used to finance the day-to-day operations without constraints, decreased \$46,500 or 17%. A portion of this is due to the increase in Accrued Compensated Absences in the Government Wide Activities of approximately \$33,000. Net Investment in Capital Assets (e.g. Equipment, Vehicles, Leasehold Improvements) decreased \$151,045 or 17%, due to the depreciation expense and no capital asset additions in fiscal year 2020.

Illinois Law Enforcement Alarm System  
Management's Discussion and Analysis  
As of and for the Year Ended June 30, 2020

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

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues						
Charges for Services	\$ -	\$ -	\$ 454,266	\$ 413,618	\$ 454,266	\$ 413,618
Oper. Grants and Contr.	7,574,416	8,472,803	-	-	7,574,416	8,472,803
Capital Grants and Contr.	-	36,771	-	-	-	36,771
General Revenues						
Interest Income	-	-	902	1,243	902	1,243
Other Income	72	60	-	-	72	60
Total Revenues	<u>7,574,488</u>	<u>8,509,634</u>	<u>455,168</u>	<u>414,861</u>	<u>8,029,656</u>	<u>8,924,495</u>
Expenses:						
Management & Administration	379,375	339,686	-	-	379,375	339,686
Training & Reimbursement	7,372,497	8,313,905	-	-	7,372,497	8,313,905
Operating Expenses	-	-	475,329	456,576	475,329	456,576
Total Expenses	<u>7,751,872</u>	<u>8,653,591</u>	<u>475,329</u>	<u>456,576</u>	<u>8,227,201</u>	<u>9,110,167</u>
Change in Net Position	(177,384)	(143,957)	(20,161)	(41,715)	(197,545)	(185,672)
Beginning Net Position	661,213	805,170	485,755	527,470	1,146,968	1,332,640
Ending Net Position	<u>\$ 483,829</u>	<u>\$ 661,213</u>	<u>\$ 465,594</u>	<u>\$ 485,755</u>	<u>\$ 949,423</u>	<u>\$ 1,146,968</u>

Revenues for ILEAS are generated from multiple sources with the majority of revenue derived from Operating Grant Income in the Governmental Activities. 94% of Total Revenues in 2020 were from Operating Grant Revenue. There was an overall decrease to Grant Income of \$935,158 or 11% from 2019, much of this due to COVID and the cancellation of training in the 4<sup>th</sup> quarter of fiscal year 2020. This reduction of training results in decreases of income and expenses which include the categories of Overtime/Backfill, paid trainer expenses, hotel stays for trainees, and other direct training expenses

Total Expenses for Governmental Activities and Business-Type Activities for FY 20 decreased \$882,966 or 10%. Again, much of that decrease in expenses is due to COVID and the cancellation of training in the 4<sup>th</sup> quarter of the fiscal year 2020. There were approved grant extensions by IEMA for several of the Homeland Security Grants that will allow ILEAS to expend the funds not used in the fourth quarter of fiscal year 2020 to be spent in fiscal year 2021. In the Business-Type Activities the expenses increased \$18,753 or 4%, due to the reimbursement of expenses from IEMA to agencies for response to flooding in Illinois.

Illinois Law Enforcement Alarm System  
Management's Discussion and Analysis  
As of and for the Year Ended June 30, 2020

**Financial Analysis of the Funds**

Fund financial statements for the District's governmental funds are presented on pages 14 through 17. Fund financial statements for the District's proprietary fund are presented on pages 18 through 20.

In the Governmental Fund, total Assets decreased \$878,744 or 40% due to the receipt of \$864,000 of payroll draw funds in June of 2020 to be used for fiscal year 2021 payroll expenditures. In the current year, Grant Receivable decreased significant in the current year and the payroll draw funds received helped pay off Accounts Payable, which cause the Accounts Payable balance at year end to decrease significantly. Total Liabilities decreased \$878,578 or 40%. Both Revenues and Expenses have decreased approximately 11% or \$935,000, which reflects the decreases in income and expense due to decreases in training expenses, due to COVID restrictions, in the fourth quarter of fiscal year 2020.

In the Proprietary fund, Total Assets have remained fairly consistent from prior year. Cash has increased \$26,570 and the amount Due from the Governmental Fund has decreased \$14,68. Total Liabilities have decreased \$3,425 and expenses increased from 2019 to 2020, with revenues in Management Services Income increasing \$122,983, partly due to the reimbursement of the Flood Expenses to member agencies. On the flip side, Lease Income has decreased due to a lessee vacating during fiscal year 2019. Additionally, there was a decrease in Conference Income due to the cancellation of the 2020 ILEAS Conference. Expenses increased \$18,753, again with the increase of Management Services Expenses of \$118,076 but also the decrease of other expenses including General Administrative Expenses for the Training Center, a decrease of \$23,805. Additionally, there was a decrease of Conference Expenses of \$56,973. 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, 2020 was \$720,844 (net of accumulated depreciation), a decrease of \$151,045 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	
	2020	2019	2020	2019
Leasehold Improvements	\$ 584,083	\$ 665,583	\$ -	\$ -
Equipment & Vehicles	49,536	95,332	-	-
Vehicles	64,046	80,724	23,179	30,250
	<u>\$ 697,665</u>	<u>\$ 841,639</u>	<u>\$ 23,179</u>	<u>\$ 30,250</u>

Illinois Law Enforcement Alarm System  
Management's Discussion and Analysis  
As of and for the Year Ended June 30, 2020

No new capital assets were added during the fiscal year for both the Governmental Fund and the Proprietary Fund. 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	
	2020	2019	2020	2019
	Accrued Compensated Absences	\$ 251,001	\$ 217,757	\$ 2,590

At the end of the current fiscal year, ILEAS had long-term debt outstanding of \$253,591 which represents the total of Accrued Compensated Absences. There is no other long-term debt. The balance of Accrued Compensated Absences has increased \$31,282 from prior year, which represents a 14% increase. 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 9 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 (HSGP) for a number of years and has no reason to believe that this will not remain at consistent financial levels in the future years. ILEAS has received fiscal year 2020 HSGP grants and will begin the budget process for fiscal year 2021. Additionally, ILEAS has received grants, starting in 2018, from the Illinois Department of Public Health, for distribution of Narcan to Law Enforcement professionals, which now has turned into four one-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 working on developing a customer base for this product.

There are currently no known 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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 938,009	\$ 288,102	\$ 1,226,111	\$ 50,905
Grants Receivable	327,130	-	327,130	-
Accounts Receivable	-	13,476	13,476	-
Dues Receivable	-	3,180	3,180	-
Merchandise Inventory	-	-	-	10,574
Due from ILEAS Foundation	-	3,000	3,000	-
Internal Balance	(185,213)	185,213	-	-
Prepaid Expenses	67,489	24,299	91,788	-
Capital Assets, Net of Accumulated Depreciation	697,665	23,179	720,844	-
Total Assets	<u>\$ 1,845,080</u>	<u>\$ 540,449</u>	<u>\$ 2,385,529</u>	<u>\$ 61,479</u>
<b>LIABILITIES</b>				
Due to ILEAS	\$ -	\$ -	\$ -	\$ 3,000
Accounts Payable	524,762	4,010	528,772	4,840
Accrued Payroll	68,160	-	68,160	-
Unearned Revenue	517,328	766	518,094	21,725
Line of Credit	-	67,489	67,489	-
Non-Current Liabilities				
Due Within One Year	251,001	2,590	253,591	-
Total Liabilities	<u>\$ 1,361,251</u>	<u>\$ 74,855</u>	<u>\$ 1,436,106</u>	<u>\$ 29,565</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 697,665	\$ 23,179	\$ 720,844	\$ -
Unrestricted	(213,836)	442,415	228,579	31,914
Total Net Position	<u>\$ 483,829</u>	<u>\$ 465,594</u>	<u>\$ 949,423</u>	<u>\$ 31,914</u>

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
 Statement of Activities  
 For the Year Ended June 30, 2020

	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	\$ 379,375	\$ -	\$ 379,375	\$ -	\$ -	\$ -
Training and Reimbursements	7,372,497	-	7,195,041	-	(177,456)	(177,456)
Total Governmental Activities	7,751,872	-	7,574,416	-	(177,456)	(177,456)
Business-Type Activities:						
Operating Expenses	475,329	454,266	-	-	(21,063)	(21,063)
Total Primary Government	<u>\$ 8,227,201</u>	<u>\$ 454,266</u>	<u>\$ 7,574,416</u>	<u>\$ -</u>	<u>(177,456)</u>	<u>(21,063)</u>
General Revenues:						
Interest Income				-	902	902
Other Income				72	-	72
Total General Revenues				<u>72</u>	<u>902</u>	<u>974</u>
Change in Net Position				(177,384)	(20,161)	(197,545)
Net Position, Beginning of Year				<u>661,213</u>	<u>485,755</u>	<u>1,146,968</u>
Net Position, End of Year				<u>\$ 483,829</u>	<u>\$ 465,594</u>	<u>\$ 949,423</u>

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
 Statement of Activities - Component Unit  
 For the Year Ended June 30, 2020

<b>Support and Revenue</b>	
Contributions	\$ 726
Sales of Inventory, Net of Costs of \$5,165	(1,368)
Total Support and Revenue	<u>(642)</u>
 <b>Expenses</b>	
Program Expenses	17,685
Support Services	7,322
Total Expenses	<u>25,007</u>
<b>Changes in Net Assets</b>	(25,649)
 <b>Net Assets Without Donor Restrictions, Beginning of Year</b>	
	<u>57,563</u>
 <b>Net Assets Without Donor Restrictions, End of Year</b>	
	<u><u>\$ 31,914</u></u>

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Statement of Functional Expenses - Component Unit  
For the Year Ended June 30, 2020

	<u>Supporting Services</u>		<u>Total</u>
	<u>Program Services</u>	<u>General and Administrative</u>	
Contractual Services (Payroll)	\$ 14,848	\$ 2,692	\$ 17,540
Occupancy	2,400	-	2,400
Insurance	-	2,008	2,008
Professional Fees	-	1,968	1,968
Grant Expenses	400	-	400
Conference	37	-	37
Miscellaneous	-	654	654
Total Expenses	<u>\$ 17,685</u>	<u>\$ 7,322</u>	<u>\$ 25,007</u>

See Accompanying Notes



ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
 Balance Sheet  
 Governmental Fund  
 June 30, 2020

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 938,009
Grants Receivable	327,130
Prepaid Expenditures	67,489
Total Assets	\$ 1,332,628
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Due to Proprietary Fund	\$ 185,213
Accounts Payable	524,762
Accrued Payroll	68,160
Deferred Revenue	517,328
Total Liabilities	1,295,463
Fund Balance	
Non-Spendable:	
Prepaid Items	67,489
Unassigned	(30,324)
Total Fund Balance	37,165
Total Liabilities and Fund Balance	\$ 1,332,628

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Reconciliation of the Balance Sheet - Governmental Fund  
to the Statement of Net Position  
June 30, 2020

Total Fund Balance, Governmental Fund	\$	37,165
Capital Assets, Net of Depreciation Used in Governmental Activities		697,665
Accrued Compensated Absences Related to Governmental Activities		<u>(251,001)</u>
Net Position of Governmental Activities	\$	<u><u>483,829</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, 2020

	General Fund
<b>Revenues</b>	
Federal Grants	\$ 6,303,630
State Grants	1,270,786
Other Income	72
Total Revenues	7,574,488
<b>Expenditures</b>	
Current:	
Management and Administration	379,375
Training and Reimbursements	7,195,279
Total Expenditures	7,574,654
<b>Net Change in Fund Balance</b>	(166)
<b>Fund Balance, Beginning of Year</b>	37,331
<b>Fund Balance, End of Year</b>	\$ 37,165

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, 2020

Net Change in Fund Balance, Total Governmental Fund	\$	(166)
Change in Accrued Compensated Absences Related to Governmental Activities		(33,245)
Depreciation and Amortization on Capital Assets		<u>(143,973)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(177,384)</u></u>

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Statement of Net Position  
*Proprietary Fund*  
June 30, 2020

		Enterprise Fund
		Business Fund
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$	288,102
Accounts Receivable		13,476
Dues Receivable		3,180
Due from Governmental Fund		185,213
Due from ILEAS Foundation		3,000
Prepaid Expenses		24,299
Total Current Assets		517,270
Capital Assets, Net of Accumulated Depreciation		23,179
Total Assets		540,449
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable		4,010
Accrued Compensated Absences		2,590
Unearned Revenue		766
Line of Credit		67,489
Total Liabilities		74,855
<b>NET POSITION</b>		
Net Investment in Capital Assets		23,179
Unrestricted		442,415
Total Net Position	\$	465,594

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, 2020

	Enterprise Fund
	Business Fund
<b>Operating Revenues</b>	
Membership Dues	\$ 101,160
Management Services Income	282,829
Training Center Lease Income	47,537
Conferences	1,100
Training Center Income	21,640
Total Operating Revenues	454,266
<b>Operating Expenses</b>	
Agency Program Expenses	72,176
General Administrative Expense	119,118
Management Services Expenses	217,702
Conference Expenses	4,732
Insurance	54,530
Depreciation	7,071
Total Operating Expenses	475,329
<b>Operating Loss</b>	(21,063)
<b>Non-Operating Revenues</b>	
Interest Income	902
<b>Change in Net Position</b>	(20,161)
<b>Net Position, Beginning of Year</b>	485,755
<b>Net Position, End of Year</b>	\$ 465,594

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Statement of Cash Flows  
*Proprietary Fund*  
For the Year Ended June 30, 2020

	Enterprise Fund
	Business Fund
<b>Cash Flows from Operating Activities</b>	
Receipts from Users and Members	\$ 494,069
Payments to Employees	(73,525)
Payments to Suppliers	(409,051)
Net Cash Provided by Operating Activities	11,493
 <b>Cash Flows from Noncapital Financing Activities</b>	
Proceeds from Line of Credit	312,806
Repayments on Line of Credit	(313,314)
Net Cash Used in Noncapital Financing Activities	(508)
 <b>Cash Flows from Investing Activities</b>	
Decrease in Due from Governmental Fund	14,683
Interest	902
Net Cash Provided by Investing Activities	15,585
 <b>Net Increase in Cash and Cash Equivalents</b>	26,570
 <b>Cash and Cash Equivalents, Beginning of Year</b>	261,532
 <b>Cash and Cash Equivalents, End of Year</b>	\$ 288,102
 <b>Cash Flows from Operating Activities</b>	
Operating Loss	\$ (21,063)
Adjustment to Reconcile Operating Loss to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	7,071
Change in Assets and Liabilities:	
Decrease in Receivables	41,108
Increase in Prepaid Expenses	(12,706)
Increase in Accounts Payable	350
Decrease in Accrued Compensated Absences	(1,962)
Decrease in Unearned Revenue	(1,305)
Total Adjustments	32,556
Net Cash Provided by Operating Activities	\$ 11,493

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Notes to the Basic Financial Statements  
June 30, 2020

**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. The Foundation's revenue sources are donations, grants, sales of ILEAS merchandise, and fees for conferences.

## 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, C, and D. 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, with the exception that the discretely presented is presented in a separate Statement of Activities that follows the Organization's. The Statement of Functional Expenses relates only to the component unit. The Statement of Net Position and the Statements 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, 2020 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, 2020, 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, 2020, 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, 2020.

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, 2020.

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.

## 1. 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.
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Capital Grants and Contributions	Grants and contributions used to purchase equipment to support training and education programs.
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*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, 2020 include the allowance for doubtful receivables, the useful lives of capital assets, and allowable costs on grants from governmental agencies.

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

A reconciliation is provided with the balance sheet – governmental funds (Exhibit E-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 F-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, 2020, the book balance of \$1,226,111 reconciled to a bank balance of \$1,241,219. Of the Organization’s bank balance, \$499,329 was uninsured by federal deposit insurance and was uncollateralized.

#### *Cash Equivalents*

At June 30, 2020, the Organization held the following cash equivalents:

Money Market Accounts	<u>\$ 528,805</u>
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## 6. Grants Receivable

As of June 30, 2020, the Organization had state and federal grants receivables from the Illinois Emergency Management Agency (IEMA) and from the Illinois Department of Public Health, in the amounts of \$199,400 and \$127,730, respectively. In total, \$327,130 is receivable from these two agencies, which is approximately 22 percent of the governmental activities assets and 25 percent of the General Fund's assets at June 30, 2020.

## 7. Capital Assets

The following is a summary of the changes in capital assets of the governmental activities for the year ended June 30, 2020:

	June 30, 2019	Additions	Deductions	June 30, 2020
Cost				
Leasehold Improvements	\$ 1,630,000	\$ -	\$ -	\$ 1,630,000
Equipment	739,356	-	-	739,356
Vehicles	162,781	-	-	162,781
Total	<u>2,532,137</u>	<u>-</u>	<u>-</u>	<u>2,532,137</u>
Accumulated Depreciation and Amortization				
Leasehold Improvements	964,417	81,500	-	1,045,917
Equipment	644,024	45,795	-	689,820
Vehicles	82,057	16,678	-	98,735
Total	<u>1,690,498</u>	<u>143,973</u>	<u>-</u>	<u>1,834,472</u>
Capital Assets, Net	<u>\$ 841,639</u>	<u>\$ (143,973)</u>	<u>\$ -</u>	<u>\$ 697,665</u>

Depreciation and amortization expense was \$143,973 for the year ended June 30, 2020 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, 2020:

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>
Cost				
Vehicles	\$ 55,000	\$ -	\$ -	\$ 55,000
Accumulated Depreciation				
Vehicles	<u>24,750</u>	<u>7,071</u>	<u>-</u>	<u>31,821</u>
Capital Assets, Net	<u>\$ 30,250</u>	<u>\$ (7,071)</u>	<u>\$ -</u>	<u>\$ 23,179</u>

Depreciation expense was \$7,071 for the year ended June 30, 2020.

#### 8. Unearned Revenue

As of June 30, 2020, the Organization's governmental activities and General Fund had unearned revenues related to federal grants passed through the Illinois Emergency Management Agency in the amount of \$517,328.

#### 9. 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, 2020:

	<u>June 30, 2019</u>	<u>Issued</u>	<u>Retired</u>	<u>June 30, 2020</u>	<u>Due Within One Year</u>
Accrued Compensated Absences	<u>\$ 217,758</u>	<u>\$ 214,131</u>	<u>\$ 180,888</u>	<u>\$ 251,001</u>	<u>\$ 251,001</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, 2020:

	<u>June 30, 2019</u>	<u>Issued</u>	<u>Retired</u>	<u>June 30, 2020</u>	<u>Due Within One Year</u>
Accrued Compensated Absences	<u>\$ 4,552</u>	<u>\$ 2,256</u>	<u>\$ 4,218</u>	<u>\$ 2,590</u>	<u>\$ 2,590</u>

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

#### 10. 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 line of credit is used for operating purposes. The agreement runs through August 27, 2021 (following its renewal as of August 27, 2020).

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 \$67,489 as of June 30, 2020 and the interest rate was 4.15 percent.

Each of the following shall constitute an event of default under this agreement: payment default, default on any other debt, the filing by or against the Organization of any proceeding in bankruptcy, receivership, insolvency, reorganization, liquidation, conservatorship, or similar proceeding, any assignment by the Organization for the benefit of creditors, a default with respect to any other indebtedness that results in acceleration of such debt, foreclosure or forfeiture of any collateral, entry of a final judgement against the Organization that is not discharged, material adverse change to the Organization's business, assets, operations, or financial condition, any cessation of the Organization's business as a going concern, providing false, erroneous or misleading information to obtain the loan, failure of the Organization to provide additional collateral in the event the current collateral becomes defective or worthless, and revocation of the Organization's guarantee. If an event of default occurs under this agreement, the lender is no longer obligated to make advances, the outstanding principal and accrued interest will be immediately due and payable without demand, at the lender's option, the note will bear interest at the default rate (five percentage points in excess of the current interest rate) from the date of occurrence, and the lender may exercise any of the rights and remedies available under the loan agreement or under applicable law. With a 60-day written notice, the lender may terminate this agreement with or without cause and demand full payment of the entire principal and accrued and unpaid interest on the balance. The lender will also have no further obligation to advance funds to the Organization.

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, 2020:

	June 30, 2019	Issued	Retired	June 30, 2020
Line of Credit	<u>\$ 67,997</u>	<u>\$ 312,806</u>	<u>\$313,314</u>	<u>\$ 67,489</u>

## 11. Future Minimum Lease Payments

The Organization leases a facility from Champaign County, Illinois, used for all its operations. The lease runs through December 31, 2020. The total expense incurred for the lease in the year ended June 30, 2020 was \$369,069. This lease was extended on December 8, 2020, to run through December 31, 2026. The agreed lease payments run on a calendar year and the future minimum lease payments listed below for calendar years 2023 through 2026 are using the maximum increase of 5% per year. However, the actual rates will be based on the CPI-U rate changes from year to year. Future minimum lease payments are as follows:

Fiscal Year	
2021	\$ 387,501
2022	406,876
2023	427,220
2024	448,580
2025	471,010
Thereafter	747,871
Total	<u><u>\$ 2,889,058</u></u>

The Organization sub-leases space in this facility to several other organizations. Total revenue from these sub-leases was \$47,537 in the year ended June 30, 2020. Only one of the sub-leases extends beyond one year from June 30, 2020. That sub-lease was scheduled to end September 30, 2020, but was extended after June 30, 2020 to end September 30, 2021. That sub-lease calls for monthly rent receipts of \$2,575. Future minimum receipts on this sub-lease are as follows:

Fiscal Year	
2021	\$ 30,900
2022	7,725
Total	<u><u>\$ 38,625</u></u>

## 12. Future Commitments

Through the date of the independent 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	
2021	\$ 423,552
2022	432,024
Total	<u><u>\$ 855,576</u></u>

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

Fiscal Year	
2021	<u>\$ 47,655</u>

**13. Contingencies**

During the year ended June 30, 2020, 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.

**14. Concentration of Revenues**

For the year ended June 30, 2020, approximately 95 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.

For the year ended June 30, 2020, approximately 58 percent of the revenues of the business-type activities and the Business Fund relate to two clients.

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

The Organization subleases space to the Foundation and provides administrative services for the Foundation. During the year ended June 30, 2020, the Organization recorded revenue of \$2,400 and \$17,540 for rent and services, respectively. At June 30, 2020, the Organization has an outstanding receivable balance of \$3,000 due from the Foundation.

**16. New Government Accounting Standard**

In June 2017, GASB issued GASB Statement 87 (GASB 87), *Leases*. The provisions of GASB 87 require that lessees recognize a lease liability and a right-of-use asset for all leases greater than 12 months. GASB 87 is effective for the Organization's Fiscal Year 2022. Early adoption is permitted; however, the Organization has not chosen to do so thus far. The Organization's management is currently evaluating the effect, if any, the updated standard will have on its financial statements.

## 17. Uncertainty

Beginning in March 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government action to mitigate them. Accordingly, it is possible that the Organization's financial position and results of future operations could be adversely affected; however, the extent of the potential impact will depend on the future developments. While the situation with COVID-19 is still unfolding as of January 25, 2021, management has taken measures to prepare for the impact.

## 18. 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 consistent with accounting principles generally accepted in the United States of America. Net assets of the Foundation and changes therein are classified and reported as follows:  
  

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time, or that must be maintained permanently by the Foundation.
- ii. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.
- iii. 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.
- iv. 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.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The following are the Foundation’s allocation methodologies for expenses requiring allocation:

Expense Classification	Method of Allocation
Contractual Services (Payroll)	Time and Effort

- v. The preparation of 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 of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the reporting period. Accordingly, actual results could differ from these estimates. There are no significant accounting estimates in the Foundation's financial statements at June 30, 2020.
- vi. The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.
- vii. The Foundation has evaluated subsequent events through January 25, 2021, the date which the financial statements were available to be issued.
- viii. In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities – Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. The ASU clarifies whether transactions should be accounted for as contributions (nonreciprocal transaction within the scope of Topic 958) or exchanges (reciprocal transactions) subject to other guidance such as Topic 606. Additionally, the ASU assists in determining whether a contribution is conditional. The Foundation adopted the new standard effective July 1, 2019 using the modified prospective approach. The adoption of this standard had no impact on beginning net assets as of July 1, 2019, or on any financial statement line items in Fiscal Year 2020.

B. Liquidity and Availability of Financial Assets

The following reflects the Foundation’s financial assets as of June 30, 2020:

Financial Assets at Year-End	
Cash and Equivalents	\$ 50,905
Less those unavailable for general expenditures within one year:	<u>                  -</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u><u>          \$ 50,905</u></u>

The Foundation's goal is generally to maintain financial assets sufficient to meet operating expenses. The Foundation does not maintain a line of credit.

C. Inventory

The Foundation's inventory at June 30, 2020 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.

D. Related-Party Transactions and Balances

The Organization subleases space to the Foundation and provides administrative services for the Foundation. During the year ended June 30, 2020, the Foundation incurred expense of \$2,400 and \$17,540 for rent and services, respectively. At June 30, 2020, the Foundation has an outstanding payable balance of \$3,000 due to the Organization.

E. New Not-for-Profit Entities Accounting Standard

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, 2016-11, 2016-12, 2017-13, 2019-08, and 2020-05, 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 Foundation's Fiscal Year 2021. The Foundation is currently evaluating the effects that this updated standard will have on future financial statements, if any.



ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
 Illinois Grant Accountability and Transparency - Consolidated Year-End Financial Report  
 For the Year Ended June 30, 2020

<u>CSFA Number</u>	<u>Program Name</u>	<u>State Funding</u>	<u>Federal Funding</u>	<u>Other Funding</u>	<u>Total</u>
482-00-1610	Rural IL Opioid Overdose Prevention-Naloxone Distribution	\$ 67,510	\$ 329,845	\$ -	\$ 397,355
588-40-0455	Homeland Security Grant Program	-	5,855,300	-	5,855,300
588-00-1714	Preparedness & Response Grant Program	1,067,300	-	-	1,067,300
588-40-1679	State and Local Implementation Grant Program (SLIGP)	-	118,485	-	118,485
588-40-1467	September 11th Fund Program	135,976	-	-	135,976
	Other Grant Programs and Activities	-	-	-	-
	All Other Costs Not Allocated	-	-	652,785	652,785
Total		<u>\$ 1,270,786</u>	<u>\$ 6,303,630</u>	<u>\$ 652,785</u>	<u>\$ 8,227,201</u>

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020

Federal Grantor / Pass-through Entity / Program Title	Federal CFDA Number	Pass-through Grantor's Identifying Number	Receivable (Unearned) Revenue 6/30/2019	Grant Revenue Received	Federal Expenditures	Receivable (Unearned) Revenue 6/30/2020	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	*	97.067					
State Homeland Security Program:							
2016 State Homeland Security Program		16ILEIMERT2	\$ 6,034	\$ 9,890	\$ 3,856	\$ -	\$ -
		16ILEASCOM2	66,340	66,340	-	-	-
		16ILEASSRT2	-	89,000	89,000	-	-
2017 State Homeland Security Program		17ILEASCOM	215,679	305,334	89,655	-	-
		17ILEASSRT	557,708	837,545	279,837	-	-
		17ILEASTRN	36,752	56,710	19,958	-	-
		17ILEIMERT	3,071	118,388	115,317	-	-
		17ILEASCAR	55,998	76,500	20,502	-	-
		17ILEASIMT	1,613	3,924	2,311	-	-
		17ILEASPLN	11,688	122,969	111,281	-	-
		17ILEASPRG	(5,575)	-	5,575	-	-
2018 State Homeland Security Program		18ILEASSRT	104,496	1,289,551	1,173,559	(11,496)	-
		18ILEASTRN	3,707	719,049	717,338	1,996	-
		18ILEASCAR	30,000	280,454	279,648	29,194	-
		18ILEIMERT	16	43,596	43,601	21	-
		18ILEASCOM	1,531	616,270	685,685	70,946	-
		18ILEASPLN	-	1,136,724	978,394	(158,330)	-
		18ILEASPRG	-	115,444	94,701	(20,743)	-
2019 State Homeland Security Program		19ILEASSRT	-	156,885	164,746	7,861	-
		19ILEASCOM	-	106,143	17,176	(88,967)	-
		19ILEIMERT	-	12,881	516	(12,365)	-
		19ILEASPRG	-	19,418	-	(19,418)	-
		19ILEASPLN	-	264,065	-	(264,065)	-
		19ILEASTRN	-	136,537	44,815	(91,722)	-
Urban Area Security Initiative:							
2016 Urban Area Security Initiative		16UAILECOM2	331,096	331,096	-	-	-
2017 Urban Area Security Initiative		17UAILECOM	35,703	55,850	20,147	-	-
		17UAILESRT	189,107	568,115	379,008	-	-
		17UAILEIMERT	1,688	62,582	62,909	2,015	-
		17UAILEPLN	(1,344)	3,265	4,609	-	-
		17UAILEPRG	(366)	813	1,179	-	-
2018 Urban Area Security Initiative		18UAILECOM	1,166	114,349	111,637	(1,546)	-
		18UAILEIMERT	16	28,883	27,548	(1,319)	-
		18UAILESRT	2,584	216,814	204,039	(10,191)	-
		18UAILEPLN	-	95,190	79,328	(15,862)	-
		18UAILEPRG	-	22,748	17,345	(5,403)	-
2019 Urban Area Security Initiative		19UAILESRT	-	-	213	213	-
		19UAILECOM	-	43,998	9,841	(34,157)	-
		19UAILEIMERT	-	12,155	28	(12,127)	-
		19UAILEPLN	-	26,105	-	(26,105)	-
<b>Total U.S. Department of Homeland Security</b>			<u>1,648,708</u>	<u>8,165,580</u>	<u>5,855,302</u>	<u>(661,570)</u>	<u>-</u>
<b>U.S. Department of Commerce</b>							
<i>Pass-through from Illinois Emergency Management Agency</i>							
State and Local Implementation Program	11.549	17SLIGPILE	460	113,993	118,485	4,952	-
<b>U.S. Department of Health and Human Services</b>							
<i>Pass-through from Illinois Department of Public Health</i>							
Substance Abuse and Mental Health Services Grant Program	*	93.243					
2019 Rural Illinois Opioid Overdose Prevention - Naloxone Distribution		92180227G	-	202,114	202,114	-	-
2020 Rural Illinois Opioid Overdose Prevention - Naloxone Distribution		02180158H	-	-	127,729	127,729	-
<b>Total U.S. Department of Health and Human Services</b>			<u>-</u>	<u>202,114</u>	<u>329,843</u>	<u>127,729</u>	<u>-</u>
<b>Total</b>			<u>\$ 1,649,168</u>	<u>\$ 8,481,687</u>	<u>\$ 6,303,630</u>	<u>\$ (528,889)</u>	<u>\$ -</u>

\* - Denotes a major program.

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020

**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, 2020. 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, 2020.

**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, 2020.

**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, 2020.

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020

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

- a. Type of audit report issued on the financial statements: Unmodified
- b. The audit did not disclose 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
  - ❖ U.S. Department of Health and Human Services  
Substance Abuse and Mental Health Services Grant Program  
CFDA Number: 93.243
- 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**

None noted.

**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, 2020

No findings were noted in the prior fiscal year.

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, 2020, 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 25, 2021.

### **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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered 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 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 financial statements. 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*.

### **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 25, 2021

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 each of the Organization's major federal programs for the year ended June 30, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (Schedule 3).

### ***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 each of the Organization'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 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 each 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 each of its major federal programs for the year ended June 30, 2020.

### **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 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 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 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 25, 2021