

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM

Urbana, Illinois

**Financial Statements
and Supplementary Information**

For the Year Ended

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying 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, 2022, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Organization as of June 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 5 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization’s basic financial statements. The accompanying Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2022, 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.

Martin Hood LLC

Champaign, Illinois
December 30, 2022

Illinois Law Enforcement Alarm System
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2022

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, 2022. 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 11) exceeded total liabilities at June 30, 2022 by \$752,382 (*total net position*). Of this amount, \$263,041 (*unrestricted*) may be used to meet ILEAS' ongoing obligations to creditors. The remainder is *invested in capital assets, which is* \$489,341.
- ILEAS' *net position end of year* decreased during the current year by \$106,209 (page 12).
- ILEAS' governmental fund (page 15) reported combined ending fund balances of \$37,313, an increase of \$58 in comparison to the prior year ending fund balances of \$37,255.
- In the General Fund, the ending fund balance was \$37,313, or .40%, of total General Fund expenditures, an increase of \$58, or .16%, 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, 2022

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, 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 11-12 of this report.

Fund Financial Statements

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

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

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

The basic governmental fund financial statements are presented starting on page 15 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 19-21 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 22-40 of this report.

Illinois Law Enforcement Alarm System
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2022

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 41.

Government-wide Financial Analysis

The government-wide financial statements can be found on pages 11 and 12 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 \$752,382 at the close of the most recent fiscal year representing a net decrease of \$106,209 (12%) over the prior year. Both Assets and Liabilities increased in the Governmental Activities, due to the addition of Lease Assets and Lease Liabilities. The following table reflects the condensed Statement of Net Position.

**Table 1
Statement of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 860,218	\$ 1,437,800	\$ 573,756	\$ 553,965	\$ 1,433,974	\$ 1,991,765
Capital Assets	2,383,393	582,229	9,036	16,107	2,392,429	598,336
Total Assets	<u>3,243,611</u>	<u>2,020,029</u>	<u>582,792</u>	<u>570,072</u>	<u>3,826,403</u>	<u>2,590,101</u>
Long-Term Liabilities	2,101,098	227,538	2,240	9,046	2,103,338	236,584
Other Liabilities	872,266	1,400,545	88,367	94,381	960,633	1,494,926
Total Liabilities	<u>2,973,364</u>	<u>1,628,083</u>	<u>90,607</u>	<u>103,427</u>	<u>3,063,971</u>	<u>1,731,510</u>
Deferred Inflows of Resources	-	-	10,050	-	10,050	-
Net Position						
Net Investment in						
Capital Assets	480,305	582,229	9,036	16,107	489,341	598,336
Unrestricted	(210,058)	(190,283)	473,099	450,538	263,041	260,255
Total Net Position	<u>\$ 270,247</u>	<u>\$ 391,946</u>	<u>\$ 482,135</u>	<u>\$ 466,645</u>	<u>\$ 752,382</u>	<u>\$ 858,591</u>

Unrestricted net position (\$263,041), the portion that can be used to finance the day-to-day operations without constraints, increased \$2,786 or 1%. This is partly due to the increase in Operating Income in the Business-Type Activities. Net Investment in Capital Assets (e.g., Equipment, Vehicles, Leased Assets, Leasehold Improvements) decreased \$108,995 or 18%, due to the depreciation expense, minimal capital asset additions, and retirement of equipment in fiscal year 2022.

Illinois Law Enforcement Alarm System
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2022

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

Table 2
Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues						
Charges for Services	\$ -	\$ -	\$ 227,661	\$ 286,714	\$ 227,661	\$ 286,714
Oper. Grants and Contr.	7,116,976	9,059,789	-	-	7,116,976	9,059,789
Capital Grants and Contr.	15,255	16,760	-	-	15,255	16,760
General Revenues						
Interest Income	-	-	547	170	547	170
Other Income	188	212	-	-	188	212
Total Revenues	7,132,419	9,076,761	228,208	286,884	7,360,627	9,363,645
Expenses:						
Management & Administration	366,306	378,695	-	-	366,306	378,695
Training & Reimbursement	6,803,053	8,785,310	-	-	6,803,053	8,785,310
Operating Expenses	-	4,639	212,718	285,833	212,718	290,472
Interest Expense	84,759	-	-	-	84,759	-
Total Expenses	7,254,118	9,168,644	212,718	285,833	7,466,836	9,454,477
Change in Net Position	(121,699)	(91,883)	15,490	1,051	(106,209)	(90,832)
Beginning Net Position	391,946	483,829	466,645	465,594	858,591	949,423
Ending Net Position	\$ 270,247	\$ 391,946	\$ 482,135	\$ 466,645	\$ 752,382	\$ 858,591

Revenues for ILEAS are generated from multiple sources with the majority of revenue derived from Operating Grant Income in the Governmental Activities. 97% of Total Revenues in 2022 were from Operating Grant Revenue. There was an overall decrease to Grant Income of \$1,942,813 or 21% from 2021, much of this due to the receipt of 4 Bearcats in fiscal year 2021 at a cost of \$1,311,626 out of the SRT grants.

Total Expenses for Governmental Activities and Business-Type Activities for FY 22 decreased \$1,987,641 or 21%. Again, much of that decrease in expense is due to the receipt of the 4 Bearcats in fiscal year 2021 that have a total cost of \$1,311,626. These Bearcats are not ordered yearly, so it creates a temporary deviation from normal expenses. Additionally, in fiscal year 2021, there was an increased amount of Narcan ordered in the 20 and 21 Narcan Grants that created a \$500,000 increase.

Illinois Law Enforcement Alarm System
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2022

Financial Analysis of the Funds

Fund financial statements for the District's governmental funds are presented on pages 15 through 18. Fund financial statements for the District's proprietary fund are presented on pages 19 through 21.

In the Governmental Fund, total Assets decreased \$572,181 or 36% due to a decrease in Grants Receivable, which caused the Accounts Payable balance at year end to decrease significantly. Total Liabilities decreased \$572,239 or 37%. Revenues have decreased approximately 21% or \$1,944,000, which reflects the decreases in income mostly due to the 4 Bearcat purchases in fiscal year 2021 (over \$1,200,000), which are not ordered each year. Expenses have increased approximately 4% or \$330,000, which reflects the increases in expense mostly due to lease capital outlay expenditures.

In the Proprietary Fund, Total Assets have remained fairly consistent from prior year. Cash has increased \$9,139 and the amount Due from the Governmental Fund has increased \$5,401. Total Liabilities have decreased \$12,820, and expenses decreased \$72,030 from 2021 to 2022. Revenues in Management Services Income decreased \$57,227, partly due to the reimbursement of the Springfield Protest to member agencies in fiscal year 2021 along with a decrease of LMS Revenue. Training Center Income has remained constant. Expenses decreased \$72,030, again with most of this due to the decrease of Management Services Expenses of \$33,714. 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 Lease Assets, Leasehold Improvements, Equipment and Vehicles. The investment in capital assets as of June 30, 2022, was \$2,392,429 (net of accumulated depreciation), an increase of \$1,794,093 over last year. This was due to the addition of Lease Assets as a result of adopting a new accounting standard in fiscal year 2022.

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	
	2022	2021	2022	2021
Lease Assets - Building	\$ 1,895,472	\$ -	\$ -	\$ -
Leasehold Improvements	421,083	502,583	-	-
Equipment & Vehicles	33,305	32,198	-	-
Vehicles	33,533	47,448	9,036	16,107
	<u>\$ 2,383,393</u>	<u>\$ 582,229</u>	<u>\$ 9,036</u>	<u>\$ 16,107</u>

New capital assets totaling \$15,255 were added during the fiscal year for the Governmental Fund, which represent the cost of an AM Radio Travelers Info Station and a LED Message Sign. No new capital assets were added during the fiscal year for 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.

Illinois Law Enforcement Alarm System
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2022

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	
	2022	2021	2022	2021
Accrued Compensated Absences	\$ 198,010	\$ 227,538	\$ 2,240	\$ 9,046
Lease Liabilities	1,903,088	-	-	-
	<u>\$ 2,101,098</u>	<u>\$ 227,538</u>	<u>\$ 2,240</u>	<u>\$ 9,046</u>

At the end of the current fiscal year, ILEAS had long-term debt outstanding of \$2,103,338 which represents the total of Accrued Compensated Absences and Lease Liabilities. There is no other long-term debt. The balance of Accrued Compensated Absences has decreased \$36,334 from prior year, which represents a 15% decrease. ILEAS has assumed all compensated absences to be due within one year. Since grant funding is established for a period of greater than one year, the payment of these accruals should not affect future planned services. This is the first year that Lease Liabilities have been required to be included in the financial statements.

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 2022 HSGP grants and will begin the budget process for fiscal year 2023. ILEAS has also received funding directly from the State of Illinois via the Preparedness and Response State Grants. Additionally, ILEAS received \$135,000 of funding from the State for Communications Equipment purchases through the 911 Grant Program. These grants provide financial assistance for expenses that cannot be paid via the Homeland Security Grant Program. 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 five 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, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 167,671	\$ 368,308	\$ 535,979	\$ 25,812
Grants Receivable	790,328	-	790,328	-
Accounts Receivable	-	4,250	4,250	-
Dues Receivable, Net of Allowance for Doubtful Receivables	-	780	780	-
Lease Receivable	-	9,660	9,660	-
Interest Receivable	-	400	400	-
Merchandise Inventory	-	-	-	8,757
Due from ILEAS Foundation	-	3,000	3,000	-
Internal Balance	(165,270)	165,270	-	-
Prepaid Expenses	67,489	22,088	89,577	-
Total Current Assets	<u>860,218</u>	<u>573,756</u>	<u>1,433,974</u>	<u>34,569</u>
Capital Assets, Net of Accumulated Depreciation and Amortization	<u>2,383,393</u>	<u>9,036</u>	<u>2,392,429</u>	<u>9,860</u>
Total Assets	<u><u>\$ 3,243,611</u></u>	<u><u>\$ 582,792</u></u>	<u><u>\$ 3,826,403</u></u>	<u><u>\$ 44,429</u></u>
LIABILITIES				
Current Liabilities				
Due to ILEAS	\$ -	\$ -	\$ -	\$ 3,000
Accounts Payable	688,221	13,626	701,847	58
Accrued Payroll	78,634	2,490	81,124	-
Accrued Interest Payable	49,361	-	49,361	-
Unearned Revenue	56,050	4,762	60,812	14,975
Line of Credit	-	67,489	67,489	-
Non-Current Liabilities				
Due Within One Year	546,252	2,240	548,492	1,999
Total Current Liabilities	<u>1,418,518</u>	<u>90,607</u>	<u>1,509,125</u>	<u>20,032</u>
Long-Term Liabilities				
Lease Liabilities, Net of Current Portion	<u>1,554,846</u>	<u>-</u>	<u>1,554,846</u>	<u>7,661</u>
Total Liabilities	<u><u>\$ 2,973,364</u></u>	<u><u>\$ 90,607</u></u>	<u><u>\$ 3,063,971</u></u>	<u><u>\$ 27,693</u></u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Amount from Lease	<u>\$ -</u>	<u>\$ 10,050</u>	<u>\$ 10,050</u>	<u>\$ -</u>
NET POSITION				
Net Investment in Capital Assets	\$ 480,305	\$ 9,036	\$ 489,341	\$ -
Unrestricted	(210,058)	473,099	263,041	16,736
Total Net Position	<u><u>\$ 270,247</u></u>	<u><u>\$ 482,135</u></u>	<u><u>\$ 752,382</u></u>	<u><u>\$ 16,736</u></u>

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
 Statement of Activities
 For the Year Ended June 30, 2022

	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	Total
Governmental Activities:							
Management and Administration	\$ 366,306	\$ -	\$ 366,306	\$ -	\$ -	\$ -	\$ -
Training and Reimbursements	6,803,053	-	6,750,670	15,255	(37,128)	-	(37,128)
Interest	84,759	-	-	-	(84,759)	-	(84,759)
Total Governmental Activities	7,254,118	-	7,116,976	15,255	(121,887)	-	(121,887)
Business-Type Activities:							
Operating Expenses	212,718	227,661	-	-	-	14,943	14,943
Total Primary Government	<u>\$ 7,466,836</u>	<u>\$ 227,661</u>	<u>\$ 7,116,976</u>	<u>\$ 15,255</u>	<u>(121,887)</u>	<u>14,943</u>	<u>(106,944)</u>
General Revenues:							
Interest Income					-	547	547
Other Income					188	-	188
Total General Revenues					<u>188</u>	<u>547</u>	<u>735</u>
Change in Net Position					(121,699)	15,490	(106,209)
Net Position, Beginning of Year					<u>391,946</u>	<u>466,645</u>	<u>858,591</u>
Net Position, End of Year					<u>\$ 270,247</u>	<u>\$ 482,135</u>	<u>\$ 752,382</u>

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Statement of Activities - Component Unit
For the Year Ended June 30, 2022

Support and Revenue	
Contributions	\$ 6,968
Conferences	2,673
Sales of Inventory, Net of Costs of \$1,266	856
Miscellaneous Income	50
Total Support and Revenue	10,547
 Expenses	
Program Expenses	10,115
Support Services	7,016
Total Expenses	17,131
Changes in Net Assets	(6,584)
Net Assets Without Donor Restrictions, Beginning of Year	23,320
Net Assets Without Donor Restrictions, End of Year	\$ 16,736

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Statement of Functional Expenses - Component Unit
For the Year Ended June 30, 2022

	<u>Program Services</u>	<u>Supporting Services General and Administrative</u>	<u>Total</u>
Conference	\$ 5,415	\$ -	\$ 5,415
Contractual Services (Payroll)	2,500	2,500	5,000
Occupancy	2,200	-	2,200
Insurance	-	2,008	2,008
Professional Fees	-	1,833	1,833
Miscellaneous	-	675	675
Total Expenses	<u>\$ 10,115</u>	<u>\$ 7,016</u>	<u>\$ 17,131</u>

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
 Balance Sheet - Governmental Fund
 June 30, 2022

	<u>General Fund</u>
ASSETS	
Assets	
Cash and Cash Equivalents	\$ 167,671
Grants Receivable	790,328
Prepaid Expenditures	67,489
Total Assets	\$ 1,025,488
LIABILITIES AND FUND BALANCE	
Liabilities	
Due to Proprietary Fund	\$ 165,270
Accounts Payable	688,221
Accrued Payroll	78,634
Unearned Revenue	56,050
Total Liabilities	988,175
Fund Balance	
Non-Spendable:	
Prepaid Items	67,489
Unassigned	(30,176)
Total Fund Balance	37,313
Total Liabilities and Fund Balance	\$ 1,025,488

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
 Reconciliation of the Balance Sheet - Governmental Fund
 to the Statement of Net Position
 June 30, 2022

Total Fund Balance, Governmental Fund	\$	37,313
Capital Assets, Net of Depreciation and Amortization Used in Governmental Activities		2,383,393
Lease Liabilities Related to Governmental Activities		(1,903,088)
Accrued Compensated Absences Related to Governmental Activities		(198,010)
Accrued Interest Payable Related to Governmental Activities		<u>(49,361)</u>
Net Position of Governmental Activities	\$	<u><u>270,247</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, 2022

	General Fund
Revenues	
Federal Grants	\$ 6,104,045
State Grants	1,028,186
Other Income	188
Total Revenues	7,132,419
Expenditures	
Current:	
Management and Administration	366,306
Training and Reimbursements	6,359,179
Debt Service:	
Principal	371,478
Interest	35,398
Capital Outlay:	
Lease	2,274,566
Total Expenditures	9,406,927
Other Financing Sources	
Lease	2,274,566
Net Change in Fund Balance	58
Fund Balance, Beginning of Year	37,255
Fund Balance, End of Year	\$ 37,313

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, 2022

Net Change in Fund Balance, Total Governmental Fund	\$ 58
Change in Accrued Compensated Absences Related to Governmental Activities	29,528
Depreciation and Amortization on Capital Assets	(488,657)
Purchases of Capital Assets	15,255
Lease Issued	(2,274,566)
Capital Outlay	2,274,566
Accrued Interest	(49,361)
Expenditure for Debt Principal	<u>371,478</u>
Change in Net Position of Governmental Activities	<u><u>\$ (121,699)</u></u>

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Statement of Net Position
Proprietary Fund
June 30, 2022

		<u>Enterprise Fund</u>
		<u>Business Fund</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$	368,308
Accounts Receivable		4,250
Dues Receivable, Net of Allowance for Doubtful Receivables of \$840		780
Due from Governmental Fund		165,270
Due from ILEAS Foundation		3,000
Lease Receivable		9,660
Interest Receivable		400
Prepaid Expenses		22,088
Total Current Assets		<u>573,756</u>
Capital Assets, Net of Accumulated Depreciation		9,036
Total Assets		<u>582,792</u>
LIABILITIES		
Current Liabilities		
Accounts Payable		13,626
Accrued Payroll		2,490
Accrued Compensated Absences		2,240
Unearned Revenue		4,762
Line of Credit		67,489
Total Liabilities		<u>90,607</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Amount from Lease		<u>10,050</u>
NET POSITION		
Net Investment in Capital Assets		9,036
Unrestricted		473,099
Total Net Position	\$	<u><u>482,135</u></u>

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, 2022

	Enterprise Fund
	Business Fund
Operating Revenues	
Membership Dues	\$ 101,400
Management Services Income	47,936
Training Center Lease Income	43,817
Training Center Income	32,498
Lease Revenue	2,010
Total Operating Revenues	227,661
Operating Expenses	
Agency Program Expenses	67,958
General Administrative Expenses	94,378
Management Services Expenses	5,456
Insurance	31,279
Depreciation	7,071
Conference Expenses	6,000
Total Operating Expenses	212,142
Operating Income	15,519
Non-Operating Revenues (Expenses)	
Interest Income	547
Interest Expense	(576)
Total Non-Operating Expenses	(29)
Change in Net Position	15,490
Net Position, Beginning of Year	466,645
Net Position, End of Year	\$ 482,135

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2022

	Enterprise Fund
	Business Fund
Cash Flows from Operating Activities	
Receipts from Users and Members	\$ 229,454
Payments to Employees	(69,465)
Payments to Suppliers	(147,420)
Net Cash Provided by Operating Activities	12,569
Cash Flows from Non-Capital Financing Activities	
Proceeds from Line of Credit	67,489
Repayments on Line of Credit	(67,489)
Interest Paid on Line of Credit	(576)
Net Cash Used in Non-Capital Financing Activities	(576)
Cash Flows from Investing Activities	
Increase in Due from Governmental Fund	(5,401)
Principal Receipt on Lease Receivables	2,400
Interest	147
Net Cash Used in Investing Activities	(2,854)
Net Increase in Cash and Cash Equivalents	9,139
Cash and Cash Equivalents, Beginning of Year	359,169
Cash and Cash Equivalents, End of Year	\$ 368,308
Cash Flows from Operating Activities	
Operating Income	\$ 15,519
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	7,071
Change in Assets and Liabilities:	
Decrease in Receivables	4,363
Decrease in Prepaid Expenses	446
Decrease in Accounts Payable	(4,338)
Decrease in Accrued Payroll	(1,116)
Decrease in Accrued Compensated Absences	(6,806)
Decrease in Unearned Revenue	(560)
Decrease in Deferred Inflow	(2,010)
Total Adjustments	(2,950)
Net Cash Provided by Operating Activities	\$ 12,569
Non-Cash Investment Activities	
Lease receivable and deferred inflow resulting from lease inception	\$ 12,060

See Accompanying Notes

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
Notes to the Basic Financial Statements
June 30, 2022

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 component unit 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 receivables at June 30, 2022 was \$840.

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, 2022, 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, 2022, 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 and amortization.

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 over the estimated useful lives of the assets. Leased assets are amortized using the straight-line method over the lease term. The estimated useful lives used by the Organization include:

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, 2022.

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 one item that qualifies for reporting in this category: deferred revenue, which is derived from leases. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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.

Capital Grants and Contributions Grants and contributions used to purchase equipment to support training and education programs.

Business-type Activities

Charges for Services Fees charged for membership, programs, conferences, and other services provided for member agencies and other parties.

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, 2022 include the allowance for doubtful receivables, the useful lives of capital assets, the term of the related party lease, and allowable costs on grants from governmental agencies.

q. Adoption of New Accounting Standards

In June 2017, the GASB issued GASB Statement 87 (GASB 87), *Leases*. The provisions of GASB 87 require that certain lessees recognize a lease liability and a right-of-use asset for all leases greater than 12 months. The Organization adopted the new standard during Fiscal Year 2022. The adoption of the standard had no impact on net position as of June 30, 2021. The effect of the adoption for Fiscal Year 2022 resulted in an increase of expenses in the amount of \$56,977 for the governmental activities and an increase in revenue for the enterprise fund of \$10.

In April 2022, the GASB issued GASB Statement 99 (GASB 99), *Omnibus 2022*. The provisions of GASB 99 include clarifications on accounting for leases, public-private and public-public partnerships, subscription-based information technology arrangements (SBITA), and other various topics. The Organization adopted the new standard, except the section related to SBITAs, during Fiscal Year 2022. The adoption of the standard had no impact on net position as of June 30, 2021, as previously reported, or on net position recorded for Fiscal Year 2022.

In June 2022, the GASB issued GASB Statement 100 (GASB 100), *Accounting Changes and Error Corrections*. The provisions of GASB 100 enhance accounting and financial reporting and disclosure requirements for accounting changes and error corrections. The Organization has early adopted the new standard, and it is effective for the Organization's Fiscal Year 2022. The adoption of the standard had no impact on net position as of June 30, 2021, as previously reported, or on net position recorded for Fiscal Year 2022.

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 and amortization, 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, lease liabilities, and interest payable, 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, leases issued, and principal debt service expenditures are not reported in the statement of activities, while depreciation and amortization expense, gains/losses on disposal of capital assets, and accrued interest 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. It is the Organization’s policy to collateralize all uninsured deposits. At June 30, 2022, the book balance of \$535,979 reconciled to a bank balance of \$627,721. Of the Organization’s bank balance, \$303,051 was not insured by federal deposit insurance but was collateralized by pledged securities. The pledged securities had a fair value of \$772,341 at June 30, 2022.

Cash Equivalents

At June 30, 2022, the Organization held the following cash equivalents:

Money Market Accounts	<u><u>\$ 111,614</u></u>
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6. Grants Receivable

As of June 30, 2022, the Organization had state and federal grants receivables from the Illinois Emergency Management Agency (IEMA) in the amount of \$790,328, which is approximately 24 percent of the governmental activities’ assets and 77 percent of the General Fund’s assets at June 30, 2022.

7. Capital Assets

The following is a summary of the changes in capital assets of the governmental activities for the year ended June 30, 2022:

	June 30, 2021	Additions	Deductions	June 30, 2022
Depreciable Capital Assets:				
Leasehold Improvements	\$ 1,630,000	\$ -	\$ -	\$ 1,630,000
Equipment	716,549	15,255	69,819	661,985
Vehicles	155,947	-	-	155,947
Total Depreciable Capital Assets	2,502,496	15,255	69,819	2,447,932
Accumulated Depreciation:				
Leasehold Improvements	1,127,417	81,500	-	1,208,917
Equipment	684,351	14,148	69,819	628,680
Vehicles	108,499	13,915	-	122,414
Total Accumulated Depreciation	1,920,267	109,563	69,819	1,960,011
Total Depreciable Capital Assets, Net	582,229	(94,308)	-	487,921
Lease Assets:				
Building	-	2,274,566	-	2,274,566
Accumulated Amortization:				
Building	-	379,094	-	379,094
Total Lease Assets, Net	-	1,895,472	-	1,895,472
Total Capital Assets, Net	\$ 582,229	\$ 1,801,164	\$ -	\$ 2,383,393

Depreciation and amortization expense was \$488,657 for the year ended June 30, 2022 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, 2022:

	June 30, 2021	Additions	Deductions	June 30, 2022
Cost				
Vehicles	\$ 55,000	\$ -	\$ -	\$ 55,000
Accumulated Depreciation				
Vehicles	38,893	7,071	-	45,964
Capital Assets, Net	\$ 16,107	\$ (7,071)	\$ -	\$ 9,036

Depreciation expense was \$7,071 for the year ended June 30, 2022.

8. Unearned Revenue

As of June 30, 2022, the Organization's governmental activities and General Fund had unearned revenues related to federal grants passed through the IEMA and the Illinois Department of Public Health (IDPH) in the amounts of \$29,542 and \$26,508, respectively.

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, 2022:

	June 30, 2021	Issued	Retired	June 30, 2022	Due Within One Year
Accrued Compensated Absences	\$ 227,538	\$ 202,164	\$ (231,692)	\$ 198,010	\$ 198,010
Lease Liabilities	-	2,274,566	(371,478)	1,903,088	348,242
Total Long-Term Liabilities	<u>\$ 227,538</u>	<u>\$ 2,476,730</u>	<u>\$ (603,170)</u>	<u>\$ 2,101,098</u>	<u>\$ 546,252</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, 2022:

	June 30, 2021	Issued	Retired	June 30, 2022	Due Within One Year
Accrued Compensated Absences	<u>\$ 9,046</u>	<u>\$ 5,094</u>	<u>\$ (11,900)</u>	<u>\$ 2,240</u>	<u>\$ 2,240</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, 2023 (following its renewal as of August 27, 2022).

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, 2022 and the interest rate was 5.65 percent. Total interest paid on the line of credit in Fiscal Year 2022 was \$576.

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, 2022:

	June 30, 2021	Issued	Retired	June 30, 2022
Line of Credit	<u>\$ 67,489</u>	<u>\$ 67,489</u>	<u>\$ 67,489</u>	<u>\$ 67,489</u>

11. Leases

The Organization leases a facility from Champaign County, Illinois, used for all its operations. The lease runs through December 31, 2026. The total expense incurred for the lease in the year ended June 30, 2022 was \$406,876. 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 percent 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	Principal	Interest	Total
2023	\$ 348,242	\$ 78,978	\$ 427,220
2024	384,054	64,526	448,580
2025	422,422	48,588	471,010
2026	463,503	31,057	494,560
2027	284,867	11,822	296,689
Total	<u>\$ 1,903,088</u>	<u>\$ 234,971</u>	<u>\$ 2,138,059</u>

The Organization sub-leases space in this facility to the Foundation. Total revenue from this sub-lease was \$2,400 in the year ended June 30, 2022. This sub-lease was scheduled to run through June 30, 2022 but was extended to run through December 31, 2026. This sub-lease calls for monthly rent receipts of \$200. Future minimum receipts on this sub-lease are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 1,999	\$ 401	\$ 2,400
2024	2,082	318	2,400
2025	2,168	232	2,400
2026	2,258	142	2,400
2027	1,153	47	1,200
Total	<u>\$ 9,660</u>	<u>\$ 1,140</u>	<u>\$ 10,800</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	
2023	\$ 807,542
2024	458,292
2025	467,460
2026	476,808
Total	<u>\$ 2,210,102</u>

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

Fiscal Year	
2023	<u>\$ 24,000</u>

13. Contingencies

During the year ended June 30, 2022, 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 and state 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, 2022, approximately 98 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, 2022, approximately 19 percent of the revenues of the business-type activities and the Business Fund relate to one client.

15. Related-Party Transactions and Balances

During the year ended June 30, 2022, the Organization received \$2,377 for reimbursement of network solutions, accounting fees, supplies, and conference expenses paid for by the Organization on behalf of the Foundation. The Organization subleases space to the Foundation and provides administrative services for the Foundation. During the year ended June 30, 2022, the Organization recorded revenue of \$2,410 and \$5,000 for rent and services, respectively. At June 30, 2022, the Organization has an outstanding receivable balance of \$3,000 due from the Foundation.

16. New Government Accounting Standard

In May 2020, the GASB issued GASB Statement 96 (GASB 96), *Subscription-Based Information Technology Arrangement*. The provisions of GASB 96 require that a right-to-use subscription asset and corresponding subscription liability be recorded for applicable contracts that are greater than 12 months. GASB 96 is effective for the Organization's fiscal year 2023. The Organization's management is currently reviewing what impact, if any, the new standard will have on its future financial statements and disclosures.

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, while management cannot quantify the financial and other impact to the Organization as of the date of the independent auditor's report, management believes that a material impact on the Organization's financial position and results of future operation is reasonably possible.

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. The Foundation had no grant revenue in Fiscal Year 2022.
- iv. The Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842) and its clarifying ASUs. The provisions of the ASU require that certain lessees recognize a lease liability and a right-of-use asset for all leases greater than 12 months. The Foundation adopted the new standard during Fiscal Year 2022. The adoption of the standard had no impact on net assets as of June 30, 2021. The effect of the adoption for Fiscal Year 2022 resulted in a decrease of program service expenses of \$200.

The Foundation adopted FASB ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The provisions of the ASU update disclosure requirements for nonfinancial contributions and require separate presentation of this support. The Foundation adopted the new standard during Fiscal Year 2022. There was no impact on the Statement of Net Position or Statement of Activities as of or for the year ended June 30, 2022 or as of June 30, 2021.

- v. Contract liabilities consist of advance payments, if any, and billings in excess of revenue recognized under the method of revenue recognition described above in item iv. The Foundation receives advanced payments for vendor space rentals at the Organization’s annual conference. It is very unusual for the Foundation to have advanced payments and billings in excess of revenue recognized with a term of greater than one year; therefore, contract liabilities are usually all current.

Contract liabilities for the Foundation are presented as unearned revenue on the Statement of Net Position, which represents advanced payments received for the next conference in 2023. Unearned revenue for the Foundation at July 1, 2021, was \$19,975.

- vi. Revenue is recognized in accordance with FASB Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, for the following revenue lines on the Statement of Activities: conferences and sales of inventory. Revenue from conferences and sales of inventory is recognized at a point in time when the conference or transaction takes place. The Organization has not recorded obligations for returns, refunds, or similar obligations.
- vii. 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

- viii. 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. The significant estimates of the Foundation at June 30, 2022 include the term of the related party lease.
- ix. The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.
- x. The Foundation has evaluated subsequent events through December 30, 2022, the date which the financial statements were available to be issued.

B. Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets as of June 30, 2022:

Financial Assets at Year-End	
Cash and Equivalents	\$ 25,812
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> \$ 25,812</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, 2022 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. Leases

The Foundation leases office space from the Organization used for all its operations. The lease was set to expire on June 30, 2022 but was extended to run through December 31, 2026. The statement of net position includes a right-of-use asset totaling \$9,860 and lease liabilities totaling \$9,660 related to this operating lease. In the statement of activities – component unit, the operating lease cost of \$2,200 is included in program expenses. The operating cash flows from operating leases is \$2,400. The weighted-average remaining operating lease term is 4.50 years, and the weighted-average discount rate is 4.15 percent. The maturities of lease liabilities are as follows:

Fiscal Year	<u>Operating</u>
2023	\$ 2,400
2024	2,400
2025	2,400
2026	2,400
2027	<u>1,200</u>
Total	10,800
Less: Discounted	<u>(1,140)</u>
Present Value of Lease Liabilities	<u><u> \$ 9,660</u></u>

E. Future Commitments

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

Fiscal Year	
2023	<u>\$ 5,000</u>

F. Concentration of Revenues

For the year ended June 30, 2022, approximately 62 percent of the revenues of the Foundation relates to two clients.

G. Related-Party Transactions and Balances

During the year ended June 30, 2022, the Foundation paid \$2,377 to the Organization as reimbursement for network solutions, accounting fees, supplies, and conference expenses paid for by the Organization on behalf of the Foundation. The Organization subleases space to the Foundation and provides administrative services for the Foundation. During the year ended June 30, 2022, the Foundation incurred expense of \$2,200 and \$5,000 for rent and services, respectively. At June 30, 2022, the Foundation has an outstanding payable balance of \$3,000 due to the Organization.

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
 Illinois Grant Accountability and Transparency - Consolidated Year-End Financial Report
 For the Year Ended June 30, 2022

CSFA Number	Program Name	State Funding	Federal Funding	Other Funding	Total
482-00-1610	Rural IL Opioid Overdose Prevention-Naloxone Distribution	\$ 22,665	\$ 86,343	\$ -	\$ 109,008
588-40-0455	Homeland Security Grant Program	-	6,017,702	-	6,017,702
588-40-1714	Preparedness & Response Grant Program	870,521	-	-	870,521
588-40-1467	September 11th Fund Program	135,000	-	-	135,000
	Other Grant Programs and Activities	-	-	-	-
	All Other Costs Not Allocated	-	-	349,860	349,860
Total		<u>\$ 1,028,186</u>	<u>\$ 6,104,045</u>	<u>\$ 349,860</u>	<u>\$ 7,482,091</u>

Reconciliation to Statement of Activities

Total Expenses Above	\$ 7,482,091
Less: Expenses Capitalized	(15,255)
Total Expenses on Statement of Activities	<u>\$ 7,466,836</u>

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2022

Federal Grantor / Pass-through Entity / Program Title	Assistance Listing Number	Pass-through Grantor's Identifying Number	Receivable (Unearned) Revenue 6/30/2021	Grant Revenue Received	Federal Expenditures	Receivable (Unearned) Revenue 6/30/2022	Total Provided to Subrecipients
U.S. Department of Homeland Security							
<i>Pass-through from Illinois Emergency Management Agency</i>							
Homeland Security Grant Program	* 97.067						
State Homeland Security Program:							
2017 State Homeland Security Program		17ILEIMERT	\$ 2,885	\$ 2,885	\$ -	\$ -	\$ -
2018 State Homeland Security Program		18ILEASSRT	311,606	311,606	-	-	-
2019 State Homeland Security Program		19ILEASSRT	251,816	505,088	259,096	5,824	-
		19ILEASCOM	10,209	227,444	217,235	-	-
		19ILEASPRG	10,128	43,378	37,121	3,871	-
		19ILEIMERT	3,379	3,379	-	-	-
		19ILEASPLN	11,205	312,485	301,280	-	-
		19ILEASTRN	7,428	7,428	-	-	-
		19ILEASCAR	7,792	118,785	110,993	-	-
2020 State Homeland Security Program		20ILEASSRT	168,760	1,643,697	1,556,148	81,211	-
		20ILEASPLN	7,065	874,403	847,781	(19,557)	-
		20ILEASTRN	12,973	837,822	818,874	(5,975)	-
		20ILEIMERT	376	47,665	47,289	-	-
		20ILEASCOM	15,656	731,031	729,373	13,998	-
		20ILEASCAR	-	288,587	314,095	25,508	-
2021 State Homeland Security Program		21SHILEPST	-	-	13,191	13,191	-
		21SHILTRHS	-	-	360	360	-
		21SHILTRET	-	-	1,109	1,109	-
		21SHILTRST	-	-	1,079	1,079	-
		21SHILEIME	-	1,977	563	(1,414)	-
		21SHILECOM	-	-	10,602	10,602	-
		21SHILESTET	-	-	83	83	-
		21SHILESRT	-	-	143,724	143,724	-
Urban Area Security Initiative:							
2019 Urban Area Security Initiative		19UAILESRT	3,736	360,496	356,760	-	-
		19UAILECOM	2,481	12,600	10,119	-	-
		19UAILEIMERT	838	838	-	-	-
		19UAILEPLN	(183)	31,084	31,267	-	-
2020 Urban Area Security Initiative		20UAILESRT	41,689	65,553	27,142	3,278	-
		20UAILEPLN	439	66,427	63,715	(2,273)	-
		20UAILEIME	630	31,777	31,147	-	-
		20UAILECOM	3,561	79,881	80,022	3,702	-
2021 Urban Area Security Initiative		21UAILECOM	-	-	3,785	3,785	-
		21UAILEPLN	-	-	2,044	2,044	-
		21UAILEIME	-	1,077	754	(323)	-
		21UAILESRT	-	-	951	951	-
Total U.S. Department of Homeland Security			<u>874,469</u>	<u>6,607,393</u>	<u>6,017,702</u>	<u>284,778</u>	<u>-</u>
U.S. Department of Health and Human Services							
<i>Pass-through from Illinois Department of Public Health</i>							
Substance Abuse and Mental Health Services Grant Program	93.243						
2021 Rural Illinois Opioid Overdose Prevention -Naloxone Distribution		121800071	-	28,389	28,389	-	-
2022 Rural Illinois Opioid Overdose Prevention -Naloxone Distribution		22180169J	-	84,462	57,954	(26,508)	-
Total U.S. Department of Health and Human Services			<u>-</u>	<u>112,851</u>	<u>86,343</u>	<u>(26,508)</u>	<u>-</u>
Total			<u>\$ 874,469</u>	<u>\$ 6,720,244</u>	<u>\$ 6,104,045</u>	<u>\$ 258,270</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, 2022

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, 2022. 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, 2022.

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, 2022.

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, 2022.

ILLINOIS LAW ENFORCEMENT ALARM SYSTEM
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2022

1. Summary of Auditor's Results

- a. Type of audit report issued on the financial statements: Unmodified
- b. The audit did 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 auditor's 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 program:
 - ❖ U.S. Department of Homeland Security
 Homeland Security Grant Program
 Assistance Listing Number: 97.067
- h. The dollar threshold used to distinguish Type A and Type B programs was \$750,000.
- i. The auditee does qualify as a low-risk auditee.

2. Findings Related to the Financial Statements

2022-001: Material Adjusting Journal Entry Identified as a Result of Procedures Applied by the Organization's External Auditors.

Material Weakness

Criteria

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

Conditions

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

Population of Items Tested

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

Cause of Conditions

Management failed to properly record the portion of a yearly subscription that relates to Fiscal Year 2023 as a prepaid expense for the year ended June 30, 2022.

Effects of Conditions

The Organization's financial statements as of and for the year ended June 30, 2022 were misstated prior to the application of auditing procedures by the Organization's external auditors.

Auditor's Recommendations

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

View of Responsible Official

Management of the Organization will take measures to ensure compliance with the finding noted above.

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, 2022

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, 2022, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated December 30, 2022.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report on 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*.

Organization's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Martin Hood LLC

Champaign, Illinois
December 30, 2022

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

Opinion on Each Major Federal Program

We have audited Illinois Law Enforcement Alarm System's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2022. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (Schedule 3).

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.



We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
December 30, 2022