

**State of Illinois**  
**REGIONAL OFFICE OF EDUCATION #1**  
**FINANCIAL AUDIT**  
(In Accordance with the Single Audit Act and OMB Circular A-133)  
FOR THE YEAR ENDED JUNE 30, 2007

Performed as Special Assistant Auditors  
for the Office of the Auditor General

# REGIONAL OFFICE OF EDUCATION #1

## TABLE OF CONTENTS

Agency Officials	1
Compliance Report Summary	2
Financial Statement Report Summary	3
Independent Auditor's Report	4 - 5
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	6 - 7
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance For Each Program Determined to Be Major by the Illinois State Board of Education in Their Monitoring of Federal Programs	8 - 9
Summary of Auditor's Results	10
Audit Findings	11 - 23
Corrective Action Plans	24 - 28
Summary Schedule of Prior Audit Findings	29
Management's Discussion and Analysis	30 - 34
Statement of Net Assets	35
Statement of Activities	36
Balance Sheet – Governmental Funds	37
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	38
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	39
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Governmental Funds	40
Statement of Fiduciary Net Assets	41
Notes to Financial Statements	42 - 54
Required Supplemental Information (Other than Management's Discussion and Analysis)	
Schedule of Funding Progress - IMRF	55
Supplemental Information	
Combining Schedule of Accounts – Education Fund	56 - 57
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Education Fund Accounts	58 - 59
Budgetary Comparison Schedule – Education Fund Accounts	60 - 64
Combining Balance Sheet – Nonmajor Special Revenue Funds	65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	66
Statement of Changes in Assets and Liabilities – Agency Fund	67
Schedule of Disbursements to School District Treasurers and Other Entities	68
Schedule of Expenditures of Federal Awards	69
Notes to the Schedule of Expenditures of Federal Awards	70

REGIONAL OFFICE OF EDUCATION #1

OFFICIALS

Regional Superintendent

Mr. Raymond Scheiter

(Current and during audit period)

Assistant Regional Superintendent

Mr. Wilfred Flesner

(Current and during audit period)

Offices are Located at:

Adams County Courthouse  
507 Vermont Street  
Quincy, IL 62301

and

121 East Washington  
Pittsfield, IL 62363

REGIONAL OFFICE OF EDUCATION #1

**COMPLIANCE REPORT SUMMARY**

The compliance audit testing performed during this audit was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

**AUDITOR'S REPORTS**

The auditor's reports on compliance and on internal control do not contain scope limitations, disclaimers, or other significant non-standard language.

**SUMMARY OF AUDIT FINDINGS**

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	9	5
Repeated audit findings	5	5
Prior recommendations implemented or not repeated	0	0

Details of audit findings are presented in a separately tabbed report section.

**SUMMARY OF FINDINGS AND QUESTIONED COSTS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)		
07-1	11	Transactions of two entities are recorded in one accounting system
07-2	12 - 13	Some programs did not disburse excess grant funds and interest income
07-3	14	Bank accounts were not properly reconciled for the fiscal year 2007
07-4	15 - 16	Noncompliance with state mandates
07-5	17	Expenditure reports did not agree to general ledger
07-6	18	Controls over financial statement preparation
07-7	19	Inadequate controls over property and equipment
07-8	20	Unallowable finance charges and sales tax

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

07-9	21-22	Certain compensation was not properly reported through the payroll system
07-2	23	Some programs did not disburse excess grant funds and interest income
07-5	23	Expenditure reports did not agree to general ledger

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

None

PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

None

**EXIT CONFERENCE**

An informal exit conference was held on September 20, 2007. Attending were Raymond Scheiter, Regional Superintendent of Schools, Wilfred Flesner, Assistant Regional Superintendent, and Shawn Williamson of Fick, Eggenmeyer & Williamson, CPA's. Responses to the recommendations were provided by Ray Scheiter in a letter dated October 1, 2007 and various telephone conferences during the following six months.

# **FINANCIAL STATEMENT REPORT**

## **SUMMARY**

The audit of the accompanying basic financial statements of the Regional Office of Education #1 was performed by Fick, Eggemeyer & Williamson, CPA's.

Based on their audit, the auditors expressed an unqualified opinion on the Regional Office of Education #1's basic financial statements.



INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Regional Office of Education #1, as of and for the year ended June 30, 2007, which collectively comprise the Regional Office of Education #1's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Regional Office of Education #1's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Regional Office of Education #1, as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 30, 2008 on our consideration of the Regional Office of Education #1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 30-34 and 55, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional Office of Education #1's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the Schedule of Disbursements to School District Treasurers and Other Entities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Fick, Eggemeyer & Williamson*

Fick, Eggemeyer, & Williamson, CPA's  
May 30, 2008



# *Fick, Eggemeyer & Williamson*

**Certified Public Accountants, PC**



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## 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*

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Regional Office of Education #1, as of and for the year ended June 30, 2007, which collectively comprise the Regional Office of Education #1's basic financial statements and have issued our report thereon dated May 30, 2008. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Regional Office of Education #1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Regional Office of Education #1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Regional Office of Education #1's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting, 07-1, 07-2, 07-3, 07-5, 07-6, 07-7 and 07-8.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, of the significant deficiencies described above, we consider item 07-6 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regional Office of Education #1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 07-2 and 07-5. We also noted certain immaterial instances of noncompliance or other matters, which we reported on the accompanying Schedule of Findings and Questioned Costs as item 07-4.

Regional Office of Education #1's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Regional Office of Education #1's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, others within the organization, Illinois State Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Fick, Eggemeyer & Williamson*

Fick, Eggemeyer, & Williamson, CPA's  
May 30, 2008



# Fick, Eggemeyer & Williamson

Certified Public Accountants, PC



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE FOR EACH PROGRAM  
DETERMINED TO BE MAJOR BY THE ILLINOIS STATE BOARD OF EDUCATION IN THEIR  
MONITORING OF FEDERAL PROGRAMS

Honorable William G. Holland  
Auditor General  
State of Illinois

## Compliance

We have audited the compliance of the Regional Office of Education #1 with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Regional Office of Education #1's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Regional Office of Education #1's management. Our responsibility is to express an opinion on the Regional Office of Education #1's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, criteria as required by the *Guidelines to Auditing and Reporting for a Regional Office of Education*. Those standards and criteria require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Regional Office of Education #1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Regional Office of Education #1's compliance with those requirements.

In our opinion, the Regional Office of Education #1 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 criteria as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*, which are described in the accompanying Schedule of Findings and Questioned Costs as items 07-2, 07-5 and 07-9.

## Internal Control Over Compliance

The management of the Regional Office of Education #1 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Regional Office of Education #1's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Regional Office of Education #1's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 07-2, 07-5 and 07-9 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Regional Office of Education #1's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Regional Office of Education #1's response and, accordingly, express no opinion in it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, others within the organization, Illinois State Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Fick, Eggemeyer & Williamson*

Fick, Eggemeyer, & Williamson, CPA's  
May 30, 2008

REGIONAL OFFICE OF EDUCATION #1  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2007

Section I - Summary of Auditor's Results

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified   X   Yes        No

Significant deficiencies identified that are not considered to be material weaknesses   X   Yes        No

Noncompliance material to financial statements noted?   X   Yes        No

**Federal Awards**

Internal control over major programs:

Material weaknesses identified?        Yes   X   No

Significant deficiencies identified that are not considered to be material weaknesses   X   Yes        None reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)   X   Yes        No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
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84.181	Special Education Grants Infants / Toddlers
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Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low risk auditee?   X   Yes        No

REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2007

Section II - Financial Statement Findings

FINDING NO. 07-1  
Repeated from 06-1, 05-1, 04-1, 03-4

TRANSACTIONS OF TWO ENTITIES ARE RECORDED IN ONE ACCOUNTING SYSTEM

**Criteria/Specified Requirement:**

According to governmental accounting standards, transactions of two separate primary government units should not be co-mingled in one general ledger system. According to GASB 14, a special purpose government is a primary government if it has the following three characteristics: a separately elected governing board, fiscal independence, and status as a separate legal entity.

**Condition:**

During the past fiscal year, the Regional Office of Education #1 (ROE) recorded a portion of the revenue and expense transactions of the West Central Regional System #240 (WCR) in its general ledger system. The WCR has a separately elected board. It is a legally separate entity, and it is fiscally independent. The WCR administers vocational education services for the region, and Regional Office of Education #1 acts as a fiscal agent for the WCR.

**Effect:**

Transactions of the WCR appear in the reports of the ROE. As a result of weaknesses in the accounting system, the WCR received a disclaimer of opinion from its financial statement auditors for the year ended June 30, 2006.

**Cause:**

The Regional Office of Education #1 attempted to maintain a separate general ledger system for the WCR. However, the ROE continued to maintain WCR cash accounts on the books and recorded certain WCR transactions in the ROE general ledger.

**Recommendation:**

The Regional Office of Education #1 should establish an entirely separate set of records in order to eliminate the co-mingling of the Regional Office of Education #1 and WCR accounting activity.

**Management's Response:**

Management of the Regional Office of Education #1 agrees with the finding. The Regional Office of Education #1 will work to improve the general ledger systems in order to properly separate transactions of the West Central Regional System #240.

REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2007

Section II - Financial Statement Findings

FINDING NO. 07-2  
Repeated from 06-2, 05-2, 04-3, 03-6

SOME PROGRAMS DID NOT DISBURSE EXCESS GRANT FUNDS AND INTEREST INCOME

Federal Programs	Learn and Serve America
Contract No./Project No.	2006-4910-00
CFDA No.	94.004
Passed Through	Illinois State Board of Education
Federal Agency	Corporation for National and Community Service

**Criteria/Specified Requirement:**

The Illinois Grant Funds Recovery Act (30 ILCS 705/5) requires that all grant funds that have not been expended or obligated by the end of the grant period be returned to the granting agency within 45 days after the end of the period. The Act (30 ILCS 705/10) also states that all interest earned on grant funds held by a grantee shall become part of the grant principal when earned and be treated accordingly for all purposes unless the grant agreement provides otherwise. In addition, the *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (34 Code of Federal Regulations Part 80.21) requires that interest earned on federal fund balances in excess of \$100 be remitted back to the federal granting agency.

**Condition:**

The following programs had excess cash balances at June 30, 2007 that had not been obligated: Truants Alternative and Optional Education \$2,909, Substance Abuse Prevention and Treatment \$4,537, and Special Education Grants Infant & Toddler \$34,643. The balances were not returned to the granting agencies by August 15, 2007 as specified in the grant agreements.

In addition, at June 30, 2007 the Regional Office of Education #1 had interest income of \$268 earned from federal funding that was due back to the grantor agency for the Learn and Serve America program.

**Questioned Costs:**

\$268

**Context:**

NA

**Effect:**

Noncompliance with the Illinois Grant Funds Recovery Act and the *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (34 Code of Federal Regulations Part 80.21).

**Cause:**

The Regional Office of Education #1 was uncertain of the amounts due back to the granting agency, and the Regional Office of Education #1 has traditionally not returned grant funds until the return is formally requested by the granting agency.

REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2007

Section II - Financial Statement Findings

FINDING NO. 07-2 (continued)  
Repeated from 06-2, 05-2, 04-3, 03-6

**Recommendation:**

The Regional Office of Education #1 should return any unspent grant funds to the granting agency. In addition, the Regional Office of Education #1 should remit interest income earned from federal funding in excess of \$100 to the related granting agencies.

**Management's Response:**

Management of the Regional Office of Education #1 agrees with the finding. The Regional Office of Education plans to obtain, from bookkeeping, accurate reconciled reports, at least annually, which consider: beginning fiscal year cash balances, current fiscal year grant income, current fiscal year program expenses, current fiscal year interest allocated to programs, and year end cash balances by program. Furthermore, granting agencies will be notified of any excess grant funds, according to State forms, at period end. Excess funds with no activity during the previous two fiscal years will be consolidated.

REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2007

Section II - Financial Statement Findings

FINDING NO. 07-3  
Repeated from 06-3, 05-3, 03-3, 02-3

BANK ACCOUNTS WERE NOT PROPERLY RECONCILED FOR FISCAL YEAR 2007

**Criteria/Specified Requirement:**

Sound internal control requires bank reconciliations to be performed monthly to ensure that all transactions have been recorded. The bank reconciliation process should include identifying and correcting all discrepancies between the bank records and the books on a timely basis. Sound internal control over cash requires bank reconciliations to be completed on a monthly basis.

**Condition:**

All fiscal 2007 bank reconciliations of the Regional Office of Education #1 were completed between two and ten months late. For example, the August 2006 bank reconciliations were completed in June 2007, and the January 2007 bank reconciliations were completed in July 2007. All cash account discrepancies were eventually investigated and corrected.

**Effect:**

The effect of not performing reconciliations in a timely manner was to carry incorrect cash balances on the books of the ROE for nearly the entire fiscal year. Also, not identifying and addressing unrecorded items negates the effectiveness of this important internal control and causes expenditure reports to granting agencies to be incorrect.

**Cause:**

The Regional Office of Education #1 did not properly identify and correct cash discrepancies on a monthly basis as part of the bank statement reconciliation process.

**Recommendation:**

The Regional Office of Education #1 should reconcile all bank statements every month and correct any discovered discrepancies in a timely manner.

**Management's Response:**

Management of the Regional Office of Education #1 agrees with the finding. The Regional Office of Education #1 plans to perform a monthly reconciliation of all bank accounts and correct any discovered discrepancies in a timely manner.



REGIONAL OFFICE OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2007

Section II - Financial Statement Findings

FINDING NO. 07-4  
Repeated from 06-4, 05-4

NONCOMPLIANCE WITH STATE MANDATES

**Criteria/Specified Requirements:**

A) The Illinois School Code 105 ILCS 5/3-5 states that the county superintendent shall present under oath or affirmation to the county board at its meeting in September and as nearly quarterly thereafter as it may have regular or special meetings, a report of all his acts as county superintendent, including a list of all the schools visited with the dates of visitation. (This mandate has existed in its current form since at least 1953.)

B) The Illinois School Code 105 ILCS 5/3-7 states that each school district shall, as of June 30 each year, cause an audit to be made of its accounts. Each school district shall on or before October 15 of each year, submit an original and one copy of such audit to the Regional Superintendent of Schools. If any school district fails to supply the Regional Superintendent of Schools with a copy of such audit report on or before October 15, or within such time extended by the Regional Superintendent of Schools from that date, not to exceed 60 days, then it shall be the responsibility of the Regional Superintendent of Schools to cause such audit to be made.

**Conditions:**

A) The Regional Office of Education #1 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all his acts including a list of all the schools visited and dates of visitation.

B) The Regional Office of Education #1 supplied evidence that 6 of the 10 district financial statement audit reports were submitted to the ROE by the due date or an extended due date. However, four of the districts submitted their reports to the ROE between 1 and 10 days late with no documentation of an approved extension.

**Effects:**

The Regional Office of Education #1 did not comply with statutory requirements.

**Causes:**

A) The Regional Superintendent did present one annual report to the county board, but that report occurred in November 2006 rather than September 2006, and quarterly reports thereafter were not prepared.

B) The Regional Office of Education #1 did maintain a log evidencing the receipt of the financial statements from the school districts. The late submissions were either caused by the ROE failing to request district financial statements by the due date or the school districts failing to comply with the ROE's demands.

REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2007

Section II - Financial Statement Findings

FINDING NO. 07-4 (Continued)  
Repeated from 06-4, 05-4

**Recommendations:**

- A) The Regional Superintendent should submit his annual report to the county board in September each year and quarterly thereafter as required by 105 ILCS 5/3-5.
- B) The Regional Office of Education #1 should implement a system for monitoring whether or not copies of financial statements are on hand and making requests of the school districts in order to receive district financial statements by October 15 each year as required by 105 ILCS 5/3-7.

**Management's Response:**

- A) The Regional Superintendent did present an annual report to the county board in November, which identified the districts visited and dates of visitation. The ROE will work to complete the annual report by the September board meeting in the future, and the ROE will start preparing quarterly reports to the board.
- B) The Regional Office of Education #1 agrees with the finding and will request audit reports from the school districts each year early enough in order to receive the reports by October 15 or by an extended due date.

REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2007

Section II - Financial Statement Findings

FINDING NO. 07-5  
Repeated from 06-5, 05-5

**EXPENDITURE REPORTS DID NOT AGREE TO GENERAL LEDGER**

Federal Programs: Special Education Grants Infants / Toddlers, Substance Abuse Prevention and Treatment Block Grant, Learn and Serve America, English Language Learners  
Contract No. 11G7011000, 11G7011000, 2006-4910-00, 2007-4999-PD  
CFDA No.: 84.181, 93.959, 94.004, 84.365A  
Passed Through: Illinois Department of Human Services, Illinois State Board of Education  
Federal Agency: U.S. Department of Health and Human Services, Corporation for National and Community Service, U.S. Department of Education

**Criteria/Specified Requirement:**

Expenditure reports for education programs submitted to the Illinois State Board of Education and the Illinois Department of Human Services should agree with the expenditures reported on the Regional Office of Education #1's general ledger.

**Condition:**

A comparison of expenditure reports to the Regional Office of Education #1's general ledger revealed instances where the totals on the final 2007 expenditure report did not agree with the Regional Office of Education #1's general ledger. The expenditure report submitted to the Illinois State Board of Education for the Bilingual Education program reported total expenditures of \$28,933, while the general ledger showed expenditures of \$17,360 (an \$11,573 difference). For fiscal year 2007, no expenditure report was submitted for Learn and Serve America, while there was actually \$6,715 of 2007 grant expenditures. The expenditure report submitted to the Illinois Department of Human Services for the Early Intervention – Child and Family Connections program reported expenditures of \$345,502, while the general ledger showed expenditures of \$346,956 (a \$1,454 difference). The Substance Abuse Prevention – In Touch Program reported expenditures of \$187,782, while the general ledger showed expenditures of \$180,275 (a \$7,507 difference). Also, the English Language Learners program expended \$53,358, while the report to the Illinois State Board of Education claimed \$55,000.

**Questioned Costs:**

NA

**Context:**

NA

**Effect:**

Inaccurate expenditure reports were submitted, which could lead to granting agencies requesting incorrect reimbursements or adjusting the fiscal year 2008 grants errantly.

**Cause:**

The Regional Office of Education #1 personnel responsible for expenditure reports prepared the reports based on numbers that were not yet adjusted for bank reconciliation differences.

**Recommendation:**

The Regional Office of Education #1 personnel responsible for preparing the expenditure reports should use expenditures per the general ledger after the bank reconciliations are done and all adjustments have been made.

**Management's Response:**

Management of the Regional Office of Education #1 agrees with the finding. Accounting personnel will not prepare reports to the Illinois State Board of Education or the Illinois Department of Human Services until all bank reconciliations are completed and all resulting adjustments have been made.

REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2007

Section II - Financial Statement Findings

FINDING NO. 07-6

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

**Criteria/Specified Requirement:**

The Regional Office of Education #1 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

**Condition:**

The Regional Office of Education #1 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not maintain adequate controls over the financial reporting process and numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles. Auditors' adjusting entries changed the Regional Office's net income by \$71,874.
- The Regional Office did not have adequate controls over the maintenance of records of accounts receivable or accounts payable. The Regional Office has not recorded any accounts receivable or accounts payable in the current year. Auditors adjusted accounts receivable and accounts payable to actual balances at June 30, 2007, \$16,265 and \$4,846, respectively.

**Effect:**

Management or employees in the normal course of performing their assigned functions may not prevent or detect financial statement misstatements and disclose omissions in a timely manner.

**Cause:**

According to Regional Office officials, they did not have adequate funding to hire or train their accounting personnel.

**Recommendation:**

As part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education #1 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

**Management's Response:**

The Regional Office of Education #1 will employ accountants familiar with ROE operations to prepare financial statements according to GAAP standards.

REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2007

Section II – Financial Statement Findings

FINDING NO. 07-7

INADEQUATE CONTROLS OVER PROPERTY AND EQUIPMENT

**Criteria/Specified Requirement:**

The Regional Office of Education (ROE) Accounting Manual requires each ROE to maintain detailed fixed asset records, for accounting and insurance purposes, for fixed assets costing \$500 or more. Generally Accepted Accounting Principles require an inventory of all fixed assets and depreciation schedules for assets meeting the capitalization threshold. The ROE Accounting Manual also states that the fixed asset inventory records should include: the inventory control number; major asset class; function and activity; reference to acquisition source document; acquisition date; vendor; short description of asset; unit charged with custody; location, fund and account from which purchased; method of acquisition; estimated useful life and method of depreciation; estimated salvage value; and date, method, and authorization of disposition. In addition, sound internal controls require that policies and procedures on fixed assets should cover acquisition and tagging, recording and reporting, depreciation, transfers and dispositions, and annual physical inventory, and that they should be formally documented and consistently applied.

**Condition:**

The Regional Office of Education #1 (ROE) did not have adequate controls over fixed assets. In our tests of fixed assets, we noted that the fixed asset listings did not have complete information as to the acquisition source document, acquisition month and day, fund and expense account number, and depreciation expense.

**Effect:**

The absence of a sound system of internal control over fixed assets can result in inaccurate reporting of fixed assets and inadequate physical control for equipment items.

**Cause:**

Regional Office of Education personnel are unaware of certain requirements listed in the ROE Accounting Manual pertaining to fixed asset lists. Also, ROE personnel have never attempted to calculate fixed asset depreciation.

**Recommendation:**

The Regional Office of Education #1 should adhere to the ROE Accounting Manual to effectively and efficiently monitor property acquisitions, transfers and disposals, and provide for accurate reporting of fixed asset balances. The fixed asset listing should include all the details required by the ROE Accounting Manual, including depreciation expense.

**Management's Response:**

Regional Office of Education #1 intends to comply with requirements of the ROE Accounting Manual pertaining to fixed asset information tracking and depreciation calculations.

REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007

Section II – Financial Statement Findings

FINDING NO. 07-8

UNALLOWABLE FINANCE CHARGES AND SALES TAX

**Criteria/Specified requirement:**

Grant provisions require that funding be spent on allowable costs. Internal controls should exist to prevent payment of unallowable credit card finance charges and improperly charged sales tax.

**Condition:**

The Regional Office, which is not subject to sales tax, paid \$93 in sales tax during fiscal year 2007. The accounting department should have noted the erroneously charged sales tax and requested an invoice adjustment from the vendors. Also, a small sample of credit card statements showed \$324 in credit card finance charges during fiscal year 2007. If the accounting department had made all of the payments on time, the charges would not have been incurred.

**Effect:**

The Regional Office of Education incurred unnecessary finance charges and sales tax.

**Cause:**

According to Regional Office officials, they lack sufficient funding to hire an adequate accounting staff.

**Recommendation:**

The Regional Office of Education #1 should implement internal controls to ensure that disbursements are paid in a timely manner in order to avoid finance charges, and errantly charged sales tax should be challenged and corrected by the vendors before payment is remitted to them.

**Management's Response:**

The Regional Office of Education #1 intends to improve its payment procedures to avoid finance charges and improperly charged sales tax.

REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2007

Section III - Findings and questioned costs for federal awards:

FINDING NO. 07-9

**CERTAIN COMPENSATION WAS NOT PROPERLY REPORTED THROUGH THE PAYROLL SYSTEM**

Federal Programs: Special Education Grants Infants / Toddlers  
Contract No./Project No.: 11G7011000  
CFDA No.: 84.181  
Passed Through: Illinois Department of Human Services  
Federal Agency: U.S. Department of Health and Human Services

**Criteria/Specified Requirement:**

Internal Revenue Service Publication 15-A requires existing employees of an entity that are compensated for duties beyond the duties of their original agreement to be paid as wages subject to all payroll taxes and withholdings. The Internal Revenue Service Code Sections 61 and 274 dictate that certain employee fringe benefits are taxable. Also, it is sound business practice to conduct and document formal job evaluations at least on an annual basis. Any employee compensation adjustments should be documented and maintained in employee personnel files.

**Condition:**

The Children and Family Connections (CFC) staff received day-spa treatments as “performance incentives.” The incentives were not processed through the payroll system. As a result, this compensation was not reported to the Internal Revenue Service. The day-spa treatments were approximately \$150 each and were received by eight staff members.

The CFC staff also received flat rate “mileage bonuses” at the end of the year. Extra mileage payments were not based on actual miles driven but rather on job performance. Staff members received various amounts up to \$1,500. Considering that the staff members were already reimbursed at a rate of 40.5 cents per mile for actual miles driven, the flat rate “mileage bonuses” likely resulted in total mileage payments in excess of the 48.5 cents per mile federal limit. The amounts paid over the federal limit would be considered improper untaxed compensation.

Based on discussions with DHS, the performance incentives and mileage bonuses above are allowable under the grant agreement.

An employee, whose part-time job is to conduct Standards Aligned Classroom (SAC) seminars, was also paid as a contractor to conduct SAC seminars. IRS rules indicate that an employee may not be paid both W-2 wages and contract income (1099 income) to perform the same functions.

**Questioned Costs:**

NA

**Context:**

NA

REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2007

Section III - Findings and questioned costs for federal awards:

FINDING NO. 07-9 (Continued)

**Effect:**

The year-end W-2's for 2006 understated employee taxable income. Also, employee compensation is not supported by adequate documentation, which may result in incorrect reimbursement for services provided.

**Cause:**

The Regional Office of Education #1 staff was not aware of all of the relevant IRS compensation and independent contractor rules.

**Recommendation:**

The Regional Office of Education #1 should report all additional compensation to existing employees as wages subject to all applicable payroll taxes and withholdings. The management of the Regional Office of Education #1 and payroll personnel should also familiarize themselves with appropriate rules to run an accurate payroll system or consider outsourcing payroll to a payroll company.

**Management's Response:**

The Regional Office of Education has reviewed the finding and will report all compensation of employees as wages subject to all applicable taxes and withholding. Payroll personnel will familiarize themselves with the appropriate rules for payroll accounting.





REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2007

Section III - Findings and questioned costs for federal awards:

**INSTANCES OF NONCOMPLIANCE:**

1. FINDING 07-2      SOME PROGRAMS DID NOT DISBURSE EXCESS GRANT FUNDS AND INTEREST INCOME.  
(finding details on pages 12-13.)
2. FINDING 07-5      EXPENDITURE REPORTS DID NOT AGREE TO GENERAL LEDGER.  
(finding details on page 17.)
3. FINDING 07-9      CERTAIN COMPENSATION WAS NOT PROPERLY REPORTED THROUGH THE PAYROLL SYSTEM  
(finding details on page 21-22.)

**SIGNIFICANT DEFICIENCIES:**

1. FINDING 07-2      SOME PROGRAMS DID NOT DISBURSE EXCESS GRANT FUNDS AND INTEREST INCOME.  
(finding details on pages 12-13.)
2. FINDING 07-5      EXPENDITURE REPORTS DID NOT AGREE TO GENERAL LEDGER.  
(finding details on page 17.)
3. FINDING 07-9      CERTAIN COMPENSATION WAS NOT PROPERLY REPORTED THROUGH THE PAYROLL SYSTEM  
(finding details on page 21-22.)

REGIONAL OFFICE OF EDUCATION #1  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
June 30, 2007

**Corrective Action Plan**

**Finding No. 07-1**

Condition: During the past fiscal year, the Regional Office of Education #1 (ROE) recorded a portion of the revenue and expense transactions of the West Central Regional System #240 (WCR) in its general ledger system. The WCR has a separately elected board. It is a legally separate entity, and it is fiscally independent. The WCR administers vocational education services for the region, and Regional Office of Education #1 acts as a fiscal agent for the WCR.

Plan: The Regional Office of Education #1 will work to improve the general ledger systems in order to properly separate transactions of the West Central Regional System #240.

Anticipated Completion Date: January 2008

Contact Name: Regional Superintendent Raymond Scheiter

**Corrective Action Plan**

**Finding No. 07-2**

Condition: The following programs had excess cash balances at June 30, 2007 that had not been obligated: Truants Alternative and Optional Education \$2,909, Substance Abuse Prevention and Treatment \$4,537, and Special Education Grants Infant & Toddler \$34,643. The balances were not returned to the granting agencies by August 15, 2007 as specified in the grant agreements.

In addition, at June 30, 2007 the Regional Office of Education #1 had interest income of \$268 earned from federal funding that was due back to the grantor agency for the Learn and Serve America program.

Plan: The Regional Office of Education plans to obtain, from bookkeeping, accurate reconciled reports, at least annually, which consider: beginning fiscal year cash balances, current fiscal year grant income, current fiscal year program expenses, current fiscal year interest allocated to programs, and year end cash balances by program. Furthermore, granting agencies will be notified of any excess grant funds, according to State forms, at period end. Excess funds with no activity during the previous two fiscal years will be consolidated.

Anticipated Completion Date: July 2008

Contact Name: Regional Superintendent Raymond Scheiter

REGIONAL OFFICE OF EDUCATION #1  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
June 30, 2007

**Corrective Action Plan**

**Finding No. 07-3**

Condition: All fiscal 2007 bank reconciliations of the Regional Office of Education #1 were completed between two and ten months late. For example, the August 2006 bank reconciliations were completed in June 2007, and the January 2007 bank reconciliations were completed in July 2007. All cash account discrepancies were eventually investigated and corrected.

Plan: The Regional Office of Education #1 plans to perform a monthly reconciliation of all bank accounts and correct any discovered discrepancies in a timely manner.

Anticipated Completion Date: June 2008

Contact Name: Regional Superintendent Raymond Scheiter

**Corrective Action Plan**

**Finding No. 07-4**

Condition: A) The Regional Office of Education #1 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all his acts including a list of all the schools visited and dates of visitation.

B) The Regional Office of Education #1 supplied evidence that 6 of the 10 district financial statement audit reports were submitted to the ROE by the due date or an extended due date. However, four of the districts submitted their reports to the ROE between 1 and 10 days late with no documentation of an approved extension.

Plan: A) The Regional Superintendent did present an annual report to the county board in November, which identified the districts visited and dates of visitation. The ROE will work to complete the annual report by the September board meeting in the future, and the ROE will start preparing quarterly reports to the board.

B) The Regional Office of Education will request audit reports from the school districts each year early enough in order to receive the reports by October 15 or by an extended due date.

Anticipated Completion Date: June 2008

Contact Name: Regional Superintendent Raymond Scheiter

REGIONAL OFFICE OF EDUCATION #1  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
June 30, 2007

**Corrective Action Plan**

**Finding No. 07-5**

Condition: A comparison of expenditure reports to the Regional Office of Education #1's general ledger revealed instances where the totals on the final 2007 expenditure report did not agree with the Regional Office of Education #1's general ledger. The expenditure report submitted to the Illinois State Board of Education for the Bilingual Education program reported total expenditures of \$28,933, while the general ledger showed expenditures of \$17,360 (an \$11,573 difference). For fiscal year 2007, no expenditure report was submitted for Learn and Serve America, while there was actually \$6,715 of 2007 grant expenditures. The expenditure report submitted to the Illinois Department of Human Services for the Early Intervention – Child and Family Connections program reported expenditures of \$345,502, while the general ledger showed expenditures of \$346,956 (a \$1,454 difference). The Substance Abuse Prevention – In Touch Program reported expenditures of \$187,782, while the general ledger showed expenditures of \$180,275 (a \$7,507 difference). Also, the English Language Learners program expended \$53,358, while the report to the Illinois State Board of Education claimed \$55,000.

Plan: Accounting personnel will not prepare reports to the Illinois State Board of Education or the Illinois Department of Human Services until all bank reconciliations are completed and all resulting adjustments have been made.

Anticipated Completion Date: June 2008

Contact Name: Regional Superintendent Raymond Scheiter

**Corrective Action Plan**

**Finding No. 07-6**

Condition: The Regional Office of Education #1 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not maintain adequate controls over the financial reporting process and numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles. Auditors' adjusting entries changed the Regional Office's net income by \$71,874.
- The Regional Office did not have adequate controls over the maintenance of records of accounts receivable or accounts payable. The Regional Office has not recorded any accounts receivable or accounts payable in the current year. Auditors adjusted accounts receivable and accounts payable to actual balances at June 30, 2007, \$16,265 and \$4,846, respectively.

Plan: The Regional Office of Education #1 will employ accountants familiar with ROE operations to prepare financial statements according to GAAP standards.

Anticipated Completion Date: June 2008

Contact Name: Regional Superintendent Raymond Scheiter

REGIONAL OFFICE OF EDUCATION #1  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
June 30, 2007

**Corrective Action Plan**

**Finding No. 07-7**

Condition: The Regional Office of Education #1 (ROE) did not have adequate controls over fixed assets. In our tests of fixed assets, we noted that the fixed asset listings did not have complete information as to the acquisition source document, acquisition month and day, fund and expense account number, and depreciation expense.

Plan: Regional Office of Education #1 intends to comply with requirements of the ROE Accounting Manual pertaining to fixed asset information tracking and depreciation calculations.

Anticipated Completion Date: June 2008

Contact Name: Regional Superintendent Raymond Scheiter

**Corrective Action Plan**

**Finding No. 07-8**

Condition: The Regional Office, which is not subject to sales tax, paid \$93 in sales tax during fiscal year 2007. The accounting department should have noted the erroneously charged sales tax and requested an invoice adjustment from the vendors. Also, a small sample of credit card statements showed \$324 in credit card finance charges during fiscal year 2007. State mandates prohibit the ROE from paying credit card finance charges. If the accounting department had made all of the payments on time, the charges would not have been incurred.

Plan: The Regional Office of Education #1 intends to improve its payment procedures to avoid finance charges and improperly charged sales tax.

Anticipated Completion Date: June 2008

Contact Name: Regional Superintendent Raymond Scheiter

REGIONAL OFFICE OF EDUCATION #1  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
June 30, 2007

**Corrective Action Plan**

**Finding No. 07-9**

Condition: The Children and Family Connections (CFC) staff received day-spa treatments as “performance incentives.” The incentives were not processed through the payroll system. As a result, this compensation was not reported to the Internal Revenue Service. The day-spa treatments were approximately \$150 each and were received by eight staff members.

The CFC staff also received flat rate “mileage bonuses” at the end of the year. Extra mileage payments were not based on actual miles driven but rather on job performance. Staff members received various amounts up to \$1,500. Considering that the staff members were already reimbursed at a rate of 40.5 cents per mile for actual miles driven, the flat rate “mileage bonuses” likely resulted in total mileage payments in excess of the 48.5 cents per mile federal limit. The amounts paid over the federal limit would be considered improper untaxed compensation.

Based on discussions with DHS, the performance incentives and mileage bonuses above are allowable under the grant agreement.

An employee, whose part-time job is to conduct Standards Aligned Classroom (SAC) seminars, was also paid as a contractor to conduct SAC seminars. IRS rules indicate that an employee may not be paid both W-2 wages and contract income (1099 income) to perform the same functions.

Plan: The Regional Office of Education has reviewed the finding and will report all compensation of employees as wages subject to all applicable taxes and withholding. Payroll personnel will familiarize themselves with the appropriate rules for payroll accounting.

Anticipated Completion Date: June 2008

Contact Name: Regional Superintendent Raymond Scheiter

REGIONAL OFFICE OF EDUCATION #1  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2007

<u>Prior Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
06-1	Transactions of two entities are recorded in one accounting system.	Repeated as 07-1.
06-2	Some programs did not disburse excess grant funds and interest income.	Repeated as 07-2.
06-3	Bank accounts were not properly reconciled.	Repeated as 07-3.
06-4	Noncompliance with state mandates.	Repeated as 07-4.
06-5	Expenditure reports did not agree to general ledger.	Repeated as 07-5.



**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Regional Office of Education #1 (ROE) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the ROE's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$443,769 in fiscal year 2006 (FY06) to \$498,791 in fiscal year 2007 (FY07), while General Fund expenditures increased from \$437,819 in FY06 to \$485,181 in FY07. This resulted in an increase in the ROE's General Fund balance from \$153,256 in FY06 to \$166,866 in FY07, a 9% increase from the prior year.
- Education Fund revenues increased from \$1,062,757 in fiscal year 2006 (FY06) to \$1,156,066 in fiscal year 2007 (FY07), while Education Fund expenditures increased from \$1,045,189 in FY06 to \$1,197,937 in FY07. This resulted in a decrease in the Education Fund balance from \$382,894 in FY06 to \$341,023 in FY07, an 11% decrease from the prior year.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the ROE's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the ROE as a whole and present an overall view of the ROE's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the ROE's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Supplementary Information further explains and supports the financial statements with a comparison of the ROE's budget for the year and provides detailed information about the nonmajor funds.

### **REPORTING THE AGENCY AS WHOLE**

#### *The Statement of Net Assets and the Statement of Activities*

The Government-wide statements report information about the ROE as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all the ROE's assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-wide statements report the ROE's net assets and how they have changed. Net assets – the difference between the ROE's assets and liabilities – are one way to measure the agency's financial health or position.

- Over time, increases or decreases in the ROE's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the ROE's overall health, additional non-financial factors, such as change in the ROE's responsibilities and staffing, need to be considered.

In the Government-wide financial statements, the ROE's activities are reported as:

- *Governmental activities:* All of the ROE's services are included here, such as Regional Safe Schools instruction, drug prevention education, instructional staff support services and administration. Federal and State grants finance most of these activities.

### *Fund Financial Statements*

The fund financial statements provide detailed information about the ROE's funds, focusing on its most significant or "major" funds – not the ROE as a whole. Funds are accounting devices the ROE uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law. The ROE established other funds to control and manage money for particular purposes, such as accounting for State and Federal grants.

The ROE has two kinds of funds:

- 1) Governmental funds account for all of the ROE's services. These focus on how cash and other financial assets can readily be converted to cash flow and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the ROE's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information immediately following each of the governmental fund statements explains the relationship or difference between the two statements. The ROE's governmental funds include: 1) the General Fund, and 2) the Special Revenue funds.
- 2) Fiduciary funds account for funds received from the State Board of Education and distributed to school districts and other organizations in the region.

A summary reconciliation between the Government-wide financial statements and the fund financial statements follow the fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. The ROE's net assets at the end of FY07 totaled \$663,795. This is compared to \$696,369 at the end of FY06. The analysis that follows provides a summary of the ROE's net assets at June 30, 2007 and 2006 for governmental activities.

		<b>Condensed Statement of Net Assets</b>	
		<u>Governmental Activities</u>	
		<u>2007</u>	<u>2006</u>
Current and other assets		\$660,196	\$658,984
Capital assets		<u>49,975</u>	<u>43,120</u>
	Total assets	<u>710,171</u>	<u>702,104</u>
Other liabilities		<u>46,376</u>	<u>5,735</u>
	Total liabilities	<u>46,376</u>	<u>5,735</u>
Net assets:			
Invested in capital assets		49,975	43,120
Unrestricted		581,426	617,910
Restricted for teacher professional development		<u>32,394</u>	<u>35,339</u>
	Total net assets	<u>\$663,795</u>	<u>\$696,369</u>

The ROE's combined net assets decreased by \$32,574 from FY06. The decrease occurred primarily in the governmental funds as a result of increasing expenditures by a greater amount than the increase in revenues during the year ended June 30, 2007. In addition, net assets related to the Teacher Institute Fund are considered restricted for teacher professional development.

The following analysis shows the changes in net assets for the year ended June 30, 2007 and 2006.

		<b>Change in Net Assets</b>	
		<u>Governmental Activities</u>	
		<u>2007</u>	<u>2006</u>
Revenues:			
Program revenues:			
Operating grants and contributions	\$	1,106,427	\$ 1,041,199
General revenues:			
Registration, certification and permit fees		96,602	105,272
Member dues		-	3,611
Local sources		223,295	177,908
State sources		140,380	117,992
On-behalf payments		212,926	204,483
Interest income		<u>27,676</u>	<u>23,929</u>
	Total revenues	<u>1,807,306</u>	<u>1,674,394</u>
Program expenses:			
Instructional services		1,626,954	1,441,230
Administrative expenses:			
On-behalf payments - state		<u>212,926</u>	<u>204,483</u>
	Total expenses	<u>1,839,880</u>	<u>1,645,713</u>
Change in net assets		(32,574)	28,681
Net assets, beginning of year		<u>696,369</u>	<u>667,688</u>
Net assets, end of year	\$	<u>663,795</u>	\$ <u>696,369</u>

Operating grants and contributions from local, state and federal sources account for 61.2% of the total revenue. The ROE's expenses primarily relate to instructional services, which account for 88.4% of the total expenses.

## **Governmental activities**

Revenues from governmental activities were \$1,807,306 and expenses were \$1,839,880. In a difficult budget year, the ROE was not able to keep expenditures below revenue which resulted in a decrease in net assets.

## **FINANCIAL ANALYSIS OF THE ROE'S FUNDS**

As previously noted, the Regional Office of Education #1 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The ROE's governmental funds reported combined fund balances of \$613,820, below last year's ending fund balances of \$653,249. The primary reason for the decrease in combined fund balances in FY07 was increased expenditures.

## **Governmental Fund Highlights**

- The ROE's increasing General Fund position is the product of many factors, including a decrease in expenditures for services to school districts. Revenues and expenditures both increased for the fiscal year. Because revenues exceeded expenditures, an increase in the general fund balance was realized.
- General Fund revenues increased from \$443,769 in fiscal year 2006 (FY06) to \$498,791 in fiscal year 2007 (FY07), while General Fund expenditures increased from \$437,819 in FY06 to \$485,181 in FY07. This resulted in an increase in the ROE's General Fund balance from \$153,256 in FY06 to \$166,866 in FY07, a 9% increase from the prior year.
- Education Fund revenues increased from \$1,062,757 in fiscal year 2006 (FY06) to \$1,156,066 in fiscal year 2007 (FY07), while Education Fund expenditures increased from \$1,045,189 in FY06 to \$1,197,937 in FY07. This resulted in a decrease in the Education Fund balance from \$382,894 in FY06 to \$341,023 in FY07, an 11% decrease from the prior year.
- Some factors causing a decline in services provided by the ROE are increases in expenses related to GED testing, staff cutbacks, and increased responsibility for certificate registration and student attendance.

## **BUDGETARY HIGHLIGHTS**

The ROE was not required to adopt annual budgets for all funds under its control and is not legally required to do so. The ROE submits its budget to the State Board of Education and all other grantors that require it. The budgets may be amended during the year utilizing procedures prescribed by the particular grantor. Over the course of the year, the ROE amended certain operating budgets to reflect additional revenue and expenditures associated with the additional services needed and provided. Budgetary comparison schedules are provided in the financial statements on pages 60-64.

## **CAPITAL ASSETS**

At June 30, 2007, the ROE had invested \$49,975, net of accumulated depreciation, in various capital assets including computers, furniture and equipment. Current year asset additions were \$31,629.

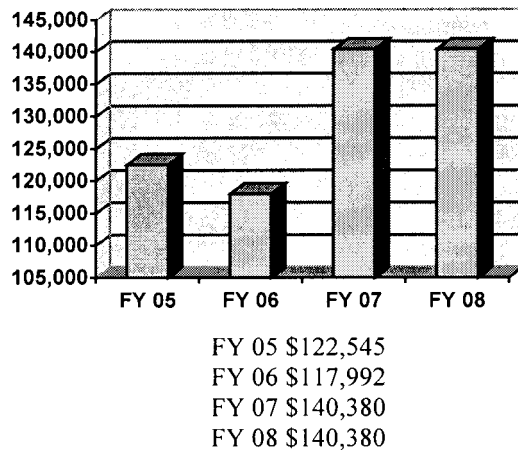
The ROE had depreciation expense of \$24,774 in FY07 and total accumulated depreciation of \$245,125 at June 30, 2007. More detailed information about capital assets is available in Note 10 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the ROE was aware of several existing circumstances that could significantly affect its financial health in the future:

- The ROE had experienced reduced funding for ROE operations in four of the past five years but had an increase in the current fiscal year.
- The ROE expects the ROE operations grant to remain the same in fiscal 2008 as it was in fiscal 2007.
- The ROE expects funding from the County to increase by approximately 3% per year for many years to come.
- The ROE expects its General State Aid to be down significantly (40%) for 2008.

**ROE Operations Grant**



The ROE operations grant has increased 14.6% through FY 08.

**CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the ROE's financial statement users with a general overview of the ROE's finances and to demonstrate the ROE's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Assistant Superintendent of the Regional Office of Education #1, 507 Vermont, Quincy, IL 62301.

## Basic Financial Statements

REGIONAL OFFICE OF EDUCATION #1  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 639,699
Grants receivable	15,821
Accounts receivable	444
Due from other agency	3,136
Prepaid items	1,096
Total current assets	660,196
Noncurrent assets:	
Capital assets, net of depreciation	49,975
Total noncurrent assets	49,975
<b>TOTAL ASSETS</b>	<b>\$ 710,171</b>
 <b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 4,846
Due to other governments	41,030
Payroll taxes and liabilities payable	500
Total current liabilities	46,376
<b>TOTAL LIABILITIES</b>	<b>\$ 46,376</b>
 <b>NET ASSETS</b>	
Investment in capital assets	\$ 49,975
Unrestricted net assets	581,426
Restricted for teacher professional development	32,394
<b>TOTAL NET ASSETS</b>	<b>\$ 663,795</b>

The notes to the financial statements are an integral part of this statement



REGIONAL OFFICE OF EDUCATION #1  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
	Expenses			
<b>FUNCTIONS/PROGRAMS</b>				
Primary government:				
Instructional services:				
Salaries and benefits	\$ 657,597	\$ 520,061	\$ -	\$ (137,536)
Purchased services	230,832	139,097	-	(91,735)
Travel and entertainment	132,222	37,500	-	(94,722)
Supplies and materials	44,973	26,115	-	(18,858)
Institute expenses and workshops	33,169	-	-	(33,169)
Capital outlay	3,924	-	-	(3,924)
Depreciation	24,774	-	-	(24,774)
Communication	12,844	-	-	(12,844)
Postage and copies	18,458	-	-	(18,458)
Payments to other governmental units	454,821	383,654	-	(71,167)
Other	13,340	-	-	(13,340)
Administrative:				
On-behalf payments - state	212,926	-	-	(212,926)
Total governmental activities	1,839,880	1,106,427	-	(733,453)
Total primary government	\$ 1,839,880	\$ 1,106,427	\$ -	\$ (733,453)
General revenues:				
Registration, certification and permit fees				96,602
Local sources				223,295
State sources				140,380
On-behalf payments				212,926
Interest income				27,676
Total general revenues, special and extraordinary items				700,879
Changes in net assets				(32,574)
Net assets - beginning				696,369
Net assets - ending				\$ 663,795

The notes to the financial statements are an integral part of this statement

REGIONAL OFFICE OF EDUCATION #1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General Fund	Education Fund	Other Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 163,791	\$ 365,319	\$ 110,589	\$ 639,699
Grants receivable	-	15,821	-	15,821
Accounts receivable	444	-	-	444
Due from other agency	3,136	-	-	3,136
Prepaid items	183	913	-	1,096
	<u>\$ 167,554</u>	<u>\$ 382,053</u>	<u>\$ 110,589</u>	<u>\$ 660,196</u>
TOTAL ASSETS				
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 188	\$ -	\$ 4,658	\$ 4,846
Due to other governments	-	41,030	-	41,030
Payroll taxes and liabilities payable	500	-	-	500
	<u>688</u>	<u>41,030</u>	<u>4,658</u>	<u>46,376</u>
TOTAL LIABILITIES				
FUND BALANCES				
Fund balance - reserved	-	-	-	-
Fund balance - unreserved and undesignated	166,866	341,023	105,931	613,820
	<u>166,866</u>	<u>341,023</u>	<u>105,931</u>	<u>613,820</u>
TOTAL FUND BALANCES				
TOTAL LIABILITIES AND FUND BALANCES				
	<u>\$ 167,554</u>	<u>\$ 382,053</u>	<u>\$ 110,589</u>	<u>\$ 660,196</u>

The notes to the financial statements are an integral part of this statement

REGIONAL OFFICE OF EDUCATION #1  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

Total fund balances - governmental funds	\$ 613,820
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of assets is \$295,100 and the accumulated depreciation is \$245,125.	<u>49,975</u>
Net assets of governmental activities	<u>\$ 663,795</u>

The notes to the financial statements are an integral part of this statement

REGIONAL OFFICE OF EDUCATION #1  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

<u>Revenues:</u>	<u>General Fund</u>	<u>Education Fund</u>	<u>Other Non-Major Funds</u>	<u>Total Governmental Funds</u>
Registration, certification and permit fees	\$ 34,377	\$ 8,580	\$ 53,645	\$ 96,602
Local sources	103,746	27,567	91,982	223,295
State sources	140,380	726,513	2,360	869,253
State sources - on behalf payments	212,926	-	-	212,926
Federal sources	-	377,554	-	377,554
Interest income	7,362	15,852	4,462	27,676
Total revenues	<u>498,791</u>	<u>1,156,066</u>	<u>152,449</u>	<u>1,807,306</u>
<u>Expenditures:</u>				
Salaries and benefits	112,744	498,209	46,644	657,597
Salaries and benefits - on behalf payments	212,926	-	-	212,926
Purchased services	56,413	128,426	45,993	230,832
Travel and entertainment	15,518	100,009	16,695	132,222
Supplies and materials	3,811	35,279	5,883	44,973
Institute expenses and workshops	-	-	33,169	33,169
Capital outlay	19,434	8,292	7,827	35,553
Communication	11,344	507	993	12,844
Postage and copies	16,814	1,644	-	18,458
Payments to other governmental units	32,000	422,821	-	454,821
Other	4,177	2,750	6,413	13,340
Total expenditures	<u>485,181</u>	<u>1,197,937</u>	<u>163,617</u>	<u>1,846,735</u>
Net change in fund balances	13,610	(41,871)	(11,168)	(39,429)
Fund balance - beginning	<u>153,256</u>	<u>382,894</u>	<u>117,099</u>	<u>653,249</u>
Fund balance - ending	<u>\$ 166,866</u>	<u>\$ 341,023</u>	<u>\$ 105,931</u>	<u>\$ 613,820</u>

The notes to the financial statements are an integral part of this statement

REGIONAL OFFICE OF EDUCATION #1  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007

Net change in fund balances	\$	(39,429)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	31,629	
Depreciation expense	<u>(24,774)</u>	<u>6,855</u>
Change in net assets of governmental activities	\$	<u><u>(32,574)</u></u>

The notes to the financial statements are an integral part of this statement

REGIONAL OFFICE OF EDUCATION #1  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2007

	<u>Agency Fund</u>
ASSETS	
Cash	\$ 9,159
	<hr/>
Total assets	<u>\$ 9,159</u>
LIABILITIES	
Accumulated interest payable	<u>\$ 9,159</u>
Total liabilities	<u>\$ 9,159</u>

The notes to the financial statements are an integral part of this statement

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Regional Office of Education #1 (ROE) conforms to U.S. generally accepted accounting principles, which are appropriate for local governmental units of this type.

A. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities present financial information about the Regional Office of Education #1 as a whole. These statements include the financial activities of the primary government. Governmental activities of the agency are generally funded by State and Federal grants.

The Government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation between the government-wide statements and the fund financial statements.

The Statement of Net Assets presents the financial condition of the governmental activities of the agency at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the agency's governmental activities. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the agency.

Fund Financial Statements - The accounts of the Regional Office of Education #1 are organized on a fund basis, each of which is considered a separate accounting entity segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. The financial activities of the Regional Office of Education #1 accounted for in the accompanying financial statements have been classified into the following fund categories:

Governmental Fund Types

**General Fund** - General fund is the general operating fund of the agency. It is used to account for all financial resources except those required to be accounted for in another fund. The general fund consists of the agency's ROE operations grant and minor activities such as copier and postage reimbursements.

**Special Revenue Funds** - Transactions related to resources obtained from specific revenue sources that are legally restricted to expenditures for specified purposes are accounted for in special revenue funds.

Fiduciary Fund Types

**Agency Funds** - Agency funds consist of funds received from the State Board of Education and distributed by the Regional Office of Education #1 to school districts and other organizations. These funds are custodial in nature and do not involve the measurement of the results of operations.

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As prescribed by GASB Statement No. 34, governmental fund reporting focuses on the major funds, rather than on the fund type. There is a process for determining if a fund should be reported as a major fund based upon each fund's portion of total assets, liabilities, revenues, or expenditures/expenses. Funds that do not meet the major fund determination requirements are reported in aggregate as non-major funds. Regional Office of Education #1 has presented all major funds that meet the above qualifications.

In 2005, the Regional Office of Education #1 implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*, and Amendment of GASB Statement No. 34, GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, and GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB Statement No. 34 which changes note disclosure requirements for governmental entities.

In 2007, the Regional Office of Education #1 implemented Governmental Accounting Standards Board (GASB) GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

**B. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the government-wide financial statements.

The governmental fund financial statements have been prepared, in accordance with generally accepted accounting principles, on the modified accrual basis. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for prepaid expenses and other long-term obligations, which are recognized when paid.



REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Financial Reporting Entity

The Regional Superintendent is charged with responsibility for registration of the names of applicants for scholarships to State controlled universities; GED examinations and related duties; direction of school officers; teacher and administrator institutes; evaluation of the schools in the region; examination of evidence of indebtedness: teacher certifications; and retention of school district financial reports. The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education #1 districts; providing township treasurers with a list of district treasurers; inspecting and approving building plans which comply with State law; performing and reporting on annual building inspections, investigating bus drivers for valid bus permits and taking related action as may be required; maintaining a list of unfilled teaching positions, and carrying out other related duties required or permitted by law. The Regional Superintendent is responsible for inspection and approval or rejection of school treasurer's bonds. The Regional Superintendent is also required to provide the State Board of Education with an affidavit showing that the treasurers of school districts under his control are properly bonded. The Regional Superintendent is also responsible for apportionment and payment of funds received from the State for districts in the region, or see that no payments are made unless the treasurer has filed or renewed appropriate bond and that the district has certified publication of the annual financial report. The Regional Superintendent is required to provide opinions and advice related to controversies under school law.

For the period ended June 30, 2007, the Regional Office of Education #1 applied for, received, and administered numerous State and Federal programs and grants in assistance and in support of educational activities of the school districts in Regional Office of Education #1. Such activities are reported as a single major special revenue fund (the Education Fund).

Operating grants are given to the Regional Office of Education #1 by Adams and Pike counties in accordance with legally adopted budgets approved by the respective county boards. These grants help fund four salaries, postage, printing, and some mileage expenses of the Regional Office of Education #1.

The Regional Office of Education #1 (the ROE) reporting entity includes all related organizations for which it exercises oversight responsibility. The ROE has developed criteria to determine whether outside agencies with activities, which benefit the citizens of the Regional Office of Education #1, including districts or joint agreements, which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the ROE exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The districts and joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the ROE does not control the assets, operations or management of the districts or joint agreements. In addition, the ROE is not aware of any entity, which would exercise such oversight as to result in the ROE being considered a component unit of the entity.

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Government-wide Statements

Equity is classified as net assets and displayed in three components:

*Invested in capital assets* – Consists of capital assets, net of accumulated depreciation.

*Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “investment in capital assets.”

*Restricted for teacher professional development* – The Teacher Institute Fund accounts for teacher registration fees. These funds are to be used to defray expenses connected with improving the technology necessary for the efficient processing of certificates as well as any expenses incidental to teacher institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers.

E. Budgets and budgetary accounting

The Regional Office of Education #1 does not adopt a formal budget and is not legally required to do so for all revenues and expenditures of the governmental funds. The following special revenue funds have budgets:

Administrators Academy  
Substance Abuse Grant  
Truants Alternative and Optional Education  
McKinney Education for Homeless  
Regional Safe Schools  
Bilingual Education  
Special Education Grants Infants/ Toddlers  
Learn and Serve America  
English Language Learners  
Language Instruction Program for Limited English Proficient Students

- F. Capital Assets - Capital assets are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add value to an asset or materially extend an asset’s life are not capitalized.

Depreciation is calculated using the straight-line method. Equipment has been depreciated over 5 years and furniture has been depreciated over 7 years.

- G. Total Columns - Total columns represent an aggregation of the fund type financial statements. They are presented for information only and do not represent consolidated financial information.

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**Note 2 - DESCRIPTION OF FUNDS**

The following is a brief description of each of the current Regional Office of Education #1 Education funds:

Major

- A. Administrators Academy - The Regional Office of Education #1 received a State grant to provide workshops for area teachers.
- B. Substance Abuse Prevention and Treatment - This is a school based initiative program funded by the Illinois Department of Human Services.
- C. Truants Alternative and Optional Education Program - This was a State grant to provide counseling and incentives for problem students.
- D. Standards Aligned Classrooms - The Regional Superintendent of Schools received a grant from Regional Office of Education #11 to provide funds to insure that State standards were being achieved in the classroom.
- E. General State Aid – This fund maintains revenues received from the State Board of Education earned on a per child basis and administers related program expenditures.
- F. Reorganization Incentive – The Regional Office of Education #1 received a State grant to study the consolidation of two school districts in the region.
- G. Digital Divide - The Regional Office of Education #1 received a DCCA grant to enhance computer learning for low-income individuals.
- H. McKinney Education for Homeless Children– The Regional Office of Education #1 received a State grant to provide for a local homeless liaison to help homeless students in the region.
- I. Regional Safe Schools - The Regional Office of Education #1 receives a grant to assist in making schools safer. The agency is currently contracting with Quincy #172 and Pikeland to maintain the program.
- J. Bilingual Education – A grant to provide professional development for teachers of English language learners.
- K. Technology Prep Additional – A program which funds a college sponsored workshop for technology teacher education.
- L. Local Professional Development Committee – A program designed to monitor teacher certification plans.
- M. Special Education Grants Infants/Toddlers - The Regional Office of Education #1 received a federal grant provided by the Department of Health and Human Services to fund a program for pre-school children with disabilities.
- N. Title I Reading First Part B SEA Funds - The Regional Office of Education #1 received a federal grant to improve the early literacy program.

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**Note 2 - DESCRIPTION OF FUNDS (Continued)**

- O. Learn and Serve America – The Regional Office of Education #1 received a federal grant to provide children in alternative education an opportunity to perform community service.
- P. Schools Against Fearful Environments – A program that provides security service from the Sheriff's Department to local school districts.
- Q. English Language Learners – The Regional Office of Education #1 received a federal grant to help teachers work with non-English-speaking immigrants.
- R. Language Instruction Program for Limited English Proficient Students – The Regional Office of Education #1 received a federal grant to train teachers to deal with the children of immigrant workers.

The following is a brief description of each non-major special revenue fund:

Non-major

- S. Institute Fund (Adams and Pike Counties) - The Institute Fund is authorized by Section 3-12 of The School Code of Illinois (Illinois. Rev. Stat. 1987, ch. 122, para. 3-12). All examination, registration and renewal fees are paid into the Institute Fund, which is used to defray administrative expenses incidental to teacher's institutes, workshops, or meetings of a professional nature. All funds generated remain restricted until expended only on the aforementioned activities.
- T. General Education Development Fund - This fund was established to administer the high school level test of General Education Development.
- U. Supervisory Fund – A State grant to provide for the travel of the Regional Superintendent.
- V. Bus Driver Fees - This fund is financed by bus driver permit fees, which are used for training purposes.
- W. Miscellaneous Fund – This fund represents an accumulation of unused grant funds from programs that no longer exist.
- X. Pike Co. Film Cooperative Fund - This fund is financed by contributions from the six member schools within Pike County based on an amount equal to \$1.25 per enrolled student.

The following is a brief description of the Regional Office of Education #1's agency fund:

Distributive Fund - Regional Office of Education #1 receives funds from the State Board of Education which it distributes to school districts and other organizations.

**Note 3 – DISTRIBUTIVE FUND INTEREST**

The Regional Office of Education #1 has agreements with its school districts that it may keep and use Distributive Fund interest for purposes that benefit all districts in Adams and Pike Counties.

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**Note 4 – CASH AND CASH EQUIVALENTS**

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Regional Office of Education #1's deposits may not be returned to it. The Regional Office of Education #1 does not have a deposit policy for custodial credit risk. At June 30, 2007, the carrying amount of the Regional Office of Education #1 deposits was \$648,858 (including \$9,159 of fiduciary fund cash) and the bank balance was \$869,001. Of the total bank balances as of June 30, 2007, \$118,505 was secured by federal depository insurance, \$644,194 was collateralized with securities held by the pledging financial institution's trust department in the Regional Office of Education #1's name, and \$106,302 was held in the Illinois Funds Money Market.

B. Investments

The Regional Office of Education #1 does not have a formal investment policy, as its only investments are internally pooled in the Illinois Funds Money Market Fund. As of June 30, 2007, the Regional Office of Education #1 had investments with carrying and fair values of \$106,302 invested in the Illinois Funds Money Market.

**Credit Risk**

At June 30, 2007, the Illinois Funds Money Market Fund had a Standards and Poor's AAA rating. The pool is audited annually by an outside independent auditor, and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investments Act, 30 ILCS 235. All investments are fully collateralized.

**Interest Rate Risk**

The Illinois Funds Money Market Fund, created by the Illinois General Assembly, enables custodians of public funds to have an investment option with a competitive rate of return on fully collateralized investments and immediate access to the funds. The investment policy of the Illinois Funds Money Market Funds states that unless authorized specifically by the Treasurer, a minimum of 75% of its investments shall have less than one-year maturity and no investment shall exceed two years maturity.

**Concentration of Credit Risk**

Unless specifically authorized by the Treasurer, the Illinois Funds Money Market Fund's investment policy limits investment categories to not exceed 25% of the portfolio, with the exception of cash equivalents and U.S. Treasury securities. Further, certificates of deposit cannot exceed 10% of any single financial institution's total deposits.

REGIONAL OFFICE OF EDUCATION #1  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2007

**Note 5 - OTHER REQUIRED FUND DISCLOSURES**

Deficit fund balances at June 30, 2007 are as follows:

Administrators Academy	\$ 4,942
McKinney Education for Homeless	\$ 1,335
Supervisory Fund	\$ 314

**Note 6 – COMPENSATED ABSENCES**

Non-certified and certified employees who work 12 calendar months earn 10 to 20 vacation days for each full year of service, depending on years of service. At the end of each fiscal year, accumulated and carried forward vacation time can be up to 10 days. Employee vacation pay is recorded when paid. Accumulated unpaid vacation benefits were not determined but are not material in relation to the financial statements as a whole in the opinion of management. Upon termination, employees do not receive accrued vacation pay, and therefore, no liability is recorded.

Employees receive up to 12 sick days annually and the unused portion is accumulated up to one year and carried forward. Employee sick leave is recorded when paid. Upon termination, employees do not receive any accumulated sick leave pay, and therefore, no liability is recorded.

**Note 7 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS**

Statement of Financial Accounting Standards, No. 107, “Disclosures about Fair Value of Financial Instruments,” requires certain entities to disclose the estimated fair value of their financial instrument assets and liabilities. The Regional Office of Education #1's financial instruments consist principally of cash and cash equivalents, receivables and payables. There are no significant differences between the carrying value and fair value of any of these financial instruments.

**Note 8 - ON-BEHALF PAYMENTS**

Regional Superintendent Salary	\$ 84,737
Regional Superintendent Fringe Benefits (includes State paid insurance)	19,037
Assistant Regional Superintendent Salary	76,263
Assistant Regional Superintendent Fringe Benefits (includes State paid insurance)	18,483
Pension contributions for Regional Office of Education #1 participants in the Teachers’ Retirement System	<u>14,406</u>
Total	<u>\$ 212,926</u>

Salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education. Pension contribution data for Teachers’ Retirement System participants was obtained from the Teachers’ Retirement System of the State of Illinois.

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**Note 9 – OPERATING LEASES**

At June 30, 2007, the Regional Office of Education was a party to the following lease agreements:

On June 6, 2007, the Children and Family Connections Program of the Regional Office of Education entered into a three year lease for office space with WCU Tower Corporation. The monthly lease payment is \$800.

Future minimum lease payments are as follows:

	<u>Amount</u>
For the fiscal years ending, June 30, 2008	\$ 9,600
June 30, 2009	9,600
June 30, 2010	<u>9,600</u>
Total future minimum lease payments	<u>\$28,800</u>

**Note 10 – CAPITAL ASSETS**

A summary of capital assets follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
<i>Capital assets being depreciated:</i>				
Office furniture	22,962	810	-	23,772
Office Equipment	<u>240,509</u>	<u>30,819</u>	-	<u>271,328</u>
Total capital assets				
being depreciated	<u>263,471</u>	<u>31,629</u>	-	<u>295,100</u>
<i>Less accumulated depreciation for:</i>				
Office furniture	22,962	116	-	23,078
Office Equipment	<u>197,389</u>	<u>24,658</u>	-	<u>222,047</u>
Total accumulated depreciation	<u>220,351</u>	<u>24,774</u>	-	<u>245,125</u>
Governmental activity				
capital assets, net	<u>\$ 43,120</u>	<u>\$ 6,855</u>	<u>\$ -</u>	<u>\$ 49,975</u>

Depreciation policies are disclosed in Note 1. Depreciation expense for the fiscal year ended June 30, 2007, was \$24,774.

**Note 11 – DUE FROM WCR**

At June 30, 2007, the Regional Office of Education #1 was due \$3,136 from the West Central Region #240. These monies were due for payroll expenses paid by the Regional Office of Education for the benefit of the West Central Region #240.

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**Note 12 – NEW ACCOUNTING PRONOUNCEMENT**

Effective for the year ending June 30, 2007, the Regional Office of Education #1 adopted the following GASB Statement:

- a) GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

There was no significant impact on the Regional Office of Education #1's financial statements as a result of adopting this statement.

**Note 13 – DEFINED BENEFIT PENSION PLAN**

The Employer's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a financial report that includes financial statements and required supplementary information. The report may be obtained at [www.imrf.org/pubs/pubs\\_homepage.htm](http://www.imrf.org/pubs/pubs_homepage.htm) or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The employer is required to contribute at an actuarially determined rate. The employer rate for calendar year 2006 was 3.14% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis.) The amortization period at December 31, 2006 was 5 years.

For December 31, 2006, the Employer's annual pension cost of \$17,768 was equal to the Employer's required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% per year, attributable to inflation (c) additional projected salary increases ranging from .4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2006 actuarial valuation were based on the 2002-2004 experience study.



REGIONAL OFFICE OF EDUCATION #1  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2007

**Note 13 – DEFINED BENEFIT PENSION PLAN (Continued)**

**TREND INFORMATION**

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12-31-06	17,768	100%	\$ 0
12-31-05	14,831	100%	0
12-31-04	10,324	100%	0
12-31-03	28,521	100%	0
12-31-02	23,673	100%	0
12-31-01	21,816	100%	0
12-31-00	16,949	100%	0
12-31-99	15,646	100%	0
12-31-98	10,599	100%	0
12-31-97	9,315	100%	0

**Note 14 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS**

The Regional Office of Education #1 participates in the Teachers’ Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago.

The Illinois Pension Code outlines the benefit provisions of TRS and amendments to the plan can be made only by legislative action with the Governor’s approval. The State of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system’s administration.

TRS members include all active non-annuitants who are employed by the TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 2007 was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer.

In addition, virtually all employers and members pay a contribution to the Teachers’ Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of the retirement plan. The employer THIS Fund contribution was 0.6 percent during the year ended June 30, 2007, and the member THIS Fund health insurance contribution was 0.80 percent.

The State of Illinois makes contributions directly to TRS on behalf of the Regional Office of Education #1 TRS-covered employees.

- **On-behalf contributions.** The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #1. For the year ended June 30, 2007, State of Illinois contributions were based on 9.84 percent of creditable earnings, and the Regional Office of Education #1 recognized revenue and expenditures of \$14,406 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2006, and June 30, 2005, the State of Illinois contribution rates as percentages of creditable earnings were 7.06 percent (\$7,834) and 11.76 percent (\$12,375), respectively.

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**Note 14 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)**

The state contributions to TRS for the years ended June 30, 2007 and June 30, 2006 were based on dollar amounts specified by the statute and were not actuarially determined. The state contributions for the year ended June 30, 2005 were based on an actuarial formula.

The Regional Office of Education #1 makes other types of employer contributions directly to TRS.

- **2.2 formula contributions.** Employers contribute 0.58 percent of creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2007 were \$342. Contributions for the years ending June 30, 2006, and June 30, 2005, were \$246 and \$610, respectively.
- **Federal and trust fund contributions.** When TRS members are paid from federal and trust funds administered by the Regional Office of Education #1, there is a statutory requirement for the Regional Office of Education #1 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and trust funds will be the same as the state contribution rate of TRS.

For the year ended June 30, 2007, the employer pension contribution was 9.78 percent of salaries paid from federal and trust funds. For the year ended June 30, 2006, the employer contribution was 7.06 percent of salaries paid from federal and trust funds. For the year ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2007 salaries totaling \$21,785 were paid from federal and trust funds that required employer contributions of \$2,131. For the years ended June 30, 2006 and June 30, 2005, required contributions were \$2,991 and \$0, respectively.

- **Early Retirement Option (ERO).** The Regional Office of Education #1 is also required to make one-time employer contributions to TRS for members retired under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member and under which ERO program the member retires.

Under Public Act 94-0004, a “Pipeline ERO” program is provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007. If members do not meet those conditions, they can retire under the “Modified ERO” program, which requires higher member and employer contributions to TRS. Also, under Modified ERO, Public Act 94-0004 eliminates the waiver of member and employer ERO contributions that had been in effect for members with 34 years of services (unless the member qualifies for Pipeline ERO).

Under the ERO program that expired on June 30, 2005 and the Pipeline ERO, the maximum employer contribution is 100 percent of the member’s highest salary used in the final average salary calculation.

Under the Modified ERO, the maximum employer contribution is 117.5 percent. Both the 100 percent and 117.5 percent maximum apply when the member is age 55 at retirement. For the three years ended June 30, 2007, the Regional Office of Education #1 paid no employer contributions under the Early Retirement Option.

- **Salary increases over 6 percent and excess sick leave.** Public Act 94-0004 added two new employer contributions to TRS.

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**Note 14 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)**

If the employer grants salary increases over 6 percent and those salaries are used to calculate a retiree’s final average salary, the employer makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases of up to 6 percent.

For the two years ended June 30, 2007, the Regional Office of Education #1 paid no employer contributions under salary increases over 6 percent.

If an employer grants sick leave days in excess of normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary used to calculate final average salary, and the TRS total normal cost rate (17.60 percent of salary during the year ended June 30, 2007).

For the two years ended June 30, 2007, the Regional Office of Education #1 paid no employer contributions under excess sick leave.

TRS financial information, an explanation of TRS benefits, and descriptions of members, employer and state funding requirements can be found in the *TRS Comprehensive Annual Financial Report* for the year ended June 30, 2006. The report for the year ended June 30, 2007, is expected to be available in late 2007. The reports may be obtained in writing to the Teacher’s Retirement System of the State of Illinois, PO Box 19253, 2815 West Washington Street, Springfield, Illinois 62794-9253. The most current report is also available on the TRS web site at [www.trs.illinois.gov](http://www.trs.illinois.gov).

**Note 15 – DUE TO OTHER GOVERNMENTS**

At June 30, 2007 the Regional Office of Education #1 owed \$121 and \$348 to the Illinois State Board of Education for excess federal interest earned on Learn and Serve and Title I – Reading First, respectively. The Regional Office of Education #1 also owed \$40,561 to the Regional Office of Education #11 for excess federal grant monies and interest earned on Standard Aligned Classrooms. The \$121 for Learn and Serve, the \$348 for Title I, and the \$40,561 for Standards Aligned Classrooms was returned in August 2007. Additional interest was earned for the Learn and Service project, and the balance of \$268 has not yet been returned.

Required Supplemental Information  
(Other than Management's Discussion & Analysis)

REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FUNDING PROGRESS  
Illinois Municipal Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
12/31/2006	758,337	677,608	(80,729)	111.91%	565,850	0%
12/31/2005	660,968	554,677	(106,291)	119.16%	518,572	0%
12/31/2004	625,738	504,137	(121,601)	124.12%	445,001	0%
12/31/2003	676,778	536,804	(139,974)	126.08%	449,861	0%
12/31/2002	609,324	439,403	(169,921)	138.67%	506,913	0%
12/31/2001	543,139	442,320	(100,819)	122.79%	538,673	0%
12/31/2000	671,330	506,532	(164,798)	132.53%	476,109	0%
12/31/1999	599,261	415,131	(184,130)	144.35%	434,627	0%
12/31/1998	475,014	315,971	(159,043)	150.33%	361,735	0%
12/31/1997	397,421	276,359	(121,062)	143.81%	301,301	0%

On a market value basis, the actuarial value of assets as of December 31, 2006 is \$831,687.  
On a market value basis, the funded ratio would be 122.74%.

Digest of Changes

The actuarial assumptions used to determine the actuarial accrued liability for 2006 are based on the 2002 - 2004 Experience Study.

The principle changes were:

1. The 1994 Group Annuity Mortality implemented.
2. For regular members, fewer normal and more early retirements are expected to occur.

SLEP Member contribution rate changed from 6.50% to 7.50% effective June 1, 2006

## SUPPLEMENTAL INFORMATION

REGIONAL OFFICE OF EDUCATION #1  
 COMBINING SCHEDULE OF ACCOUNTS  
 EDUCATION FUND  
 JUNE 30, 2007

	Administrators Academy	Substance Abuse Prevention and Treatment	Truants Alternative Education	Standards Aligned Classrooms	General State Aid	Reorganization Incentive	Digital Divide	McKinney Education for Homeless	Regional Safe Schools	Bilingual Education
Cash and cash equivalents	\$ (4,942)	\$ 4,537	\$ 2,909	\$ 40,721	\$ 240,048	\$ -	\$ -	\$ (1,335)	\$ 2,268	\$ 275
Grants receivable	-	15,120	-	-	-	-	-	-	-	530
Prepaid items	-	219	183	-	-	-	-	-	-	-
Total assets	\$ (4,942)	\$ 19,876	\$ 3,092	\$ 40,721	\$ 240,048	\$ -	\$ -	\$ (1,335)	\$ 2,268	\$ 805

ASSETS

LIABILITIES AND FUND BALANCE

Liabilities										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	40,561	-	-	-	-	-	-
Total liabilities	-	-	-	40,561	-	-	-	-	-	-
Fund balances										
Fund balance - reserved	-	-	-	-	-	-	-	-	-	-
Fund balance - unreserved	(4,942)	19,876	3,092	160	240,048	-	-	(1,335)	2,268	805
Total fund balance (deficit)	(4,942)	19,876	3,092	160	240,048	-	-	(1,335)	2,268	805
Total liabilities and fund balance	\$ (4,942)	\$ 19,876	\$ 3,092	\$ 40,721	\$ 240,048	\$ -	\$ -	\$ (1,335)	\$ 2,268	\$ 805

REGIONAL OFFICE OF EDUCATION #1  
 COMBINING SCHEDULE OF ACCOUNTS  
 EDUCATION FUND  
 JUNE 30, 2007

	Tech. Prep Additional	Local		Special Education Grants Infant/Toddler	Title I Reading First	Learn and Serve America	SAFE Program	English Language Learners	LIPLEPS	Combined Total
		Professional Development Committee	Developmental Grants							
Cash and cash equivalents	\$ 11,784	\$ 884	\$ 34,643	\$ 1,094	\$ 3,250	\$ 27,491	\$ 1,692	\$ -	\$ -	\$ 365,319
Grants receivable	-	-	-	-	-	-	-	-	171	15,821
Prepaid items	-	-	511	-	-	-	-	-	-	913
Total assets	\$ 11,784	\$ 884	\$ 35,154	\$ 1,094	\$ 3,250	\$ 27,491	\$ 1,692	\$ 171	\$ -	\$ 382,053

LIABILITIES AND FUND BALANCE

Liabilities										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	348	121	-	-	-	-	41,030
Total liabilities	-	-	-	348	121	-	-	-	-	41,030
Fund balances										
Fund balance - reserved	-	-	-	-	-	-	-	-	-	-
Fund balance - unreserved	11,784	884	35,154	746	3,129	27,491	1,692	171	-	341,023
Total fund balance (deficit)	11,784	884	35,154	746	3,129	27,491	1,692	171	-	341,023
Total liabilities and fund balance	\$ 11,784	\$ 884	\$ 35,154	\$ 1,094	\$ 3,250	\$ 27,491	\$ 1,692	\$ 171	\$ -	\$ 382,053



REGIONAL OFFICE OF EDUCATION #1  
 COMBINING SCHEDULE OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2007

	Administrators Academy	Substance Abuse Prevention and Treatment	Tuants Alternative Education	Standards Aligned Classrooms	General State Aid	Reorganization Incentive	Digital Divide	McKinney Education for Homeless	Regional Safe Schools	Bilingual Education
<b>Revenues</b>										
Registration, certification and permit fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-	-	-	-	-
State sources	15,000	89,872	68,684	-	215,920	-	3,645	-	131,429	17,890
Federal sources	-	97,300	-	12,000	-	-	-	13,600	-	-
Interest income	2	167	31	1,625	11,582	-	-	-	108	14
<b>Total revenues</b>	<u>15,002</u>	<u>187,339</u>	<u>68,715</u>	<u>13,625</u>	<u>227,502</u>	<u>-</u>	<u>3,645</u>	<u>13,600</u>	<u>131,537</u>	<u>17,904</u>
<b>Expenditures</b>										
Salaries and benefits	16,978	128,731	58,204	341	-	-	-	13,401	-	-
Purchased services	2,383	19,459	3,656	10,280	-	6,500	2	-	-	-
Travel and entertainment	310	17,893	4,225	1,150	51,496	-	-	518	(256)	-
Supplies and materials	15	14,299	852	-	220	-	827	160	-	-
Institute expenses and workshops	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	7,008	-	-	-	-	-
Communication	258	-	249	-	-	-	-	-	-	-
Postage and copies	-	-	950	-	-	-	-	694	-	-
Payment to other government units	-	-	-	40,561	215,920	-	-	-	131,537	16,090
Other	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<u>19,944</u>	<u>180,382</u>	<u>68,136</u>	<u>52,332</u>	<u>274,644</u>	<u>6,500</u>	<u>829</u>	<u>14,773</u>	<u>131,281</u>	<u>16,090</u>
Net changes in fund balances	(4,942)	6,957	579	(38,707)	(47,142)	(6,500)	2,816	(1,173)	256	1,814
Fund balance - July 1, 2006	-	12,919	2,513	38,867	287,190	6,500	(2,816)	(162)	2,012	(1,009)
<b>Fund balance - June 30, 2007</b>	<u>\$ (4,942)</u>	<u>\$ 19,876</u>	<u>\$ 3,092</u>	<u>\$ 160</u>	<u>\$ 240,048</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,335)</u>	<u>\$ 2,268</u>	<u>\$ 805</u>

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1  
 COMBINING SCHEDULE OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2007

	Tech. Prep Additional	Local Professional Development Committee	Special Education Grants Infants/Toddlers	Title I Reading First	Learn and Serve America	SAFE Program	English Language Learners	LJPLEPS	Combined Total
<b>Revenues</b>									
Registration, certification and permit fees	\$ 8,580	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,580
Local sources	-	-	76	-	-	27,491	-	-	27,567
State sources	-	-	184,073	-	-	-	-	-	726,513
Federal sources	-	-	181,239	-	-	-	55,000	18,415	377,554
Interest income	230	37	1,700	44	262	-	50	-	15,852
<b>Total revenues</b>	<b>8,810</b>	<b>37</b>	<b>367,088</b>	<b>44</b>	<b>262</b>	<b>27,491</b>	<b>55,050</b>	<b>18,415</b>	<b>1,156,066</b>
<b>Expenditures</b>									
Salaries and benefits	-	-	241,932	-	-	-	38,622	-	498,209
Purchased services	7,156	-	65,801	-	3,525	-	9,664	-	128,426
Travel and entertainment	-	-	24,673	-	-	-	-	-	100,009
Supplies and materials	-	-	13,515	-	3,069	-	2,322	-	35,279
Institute expenses and workshops	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	1,284	-	-	-	-	-	8,292
Communication	-	-	-	-	-	-	-	-	507
Postage and copies	-	-	-	-	-	-	-	-	1,644
Payment to other government units	-	-	-	348	121	-	-	18,244	422,821
Other	-	-	-	-	-	-	2,750	-	2,750
<b>Total expenditures</b>	<b>7,156</b>	<b>-</b>	<b>347,205</b>	<b>348</b>	<b>6,715</b>	<b>-</b>	<b>53,358</b>	<b>18,244</b>	<b>1,197,937</b>
Net changes in fund balances	1,654	37	19,883	(304)	(6,453)	27,491	1,692	171	(41,871)
Fund balance - July 1, 2006	10,130	847	15,271	1,050	9,582	-	-	-	382,894
<b>Fund balance - June 30, 2007</b>	<b>\$ 11,784</b>	<b>\$ 884</b>	<b>\$ 35,154</b>	<b>\$ 746</b>	<b>\$ 3,129</b>	<b>\$ 27,491</b>	<b>\$ 1,692</b>	<b>\$ 171</b>	<b>\$ 341,023</b>

REGIONAL OFFICE OF EDUCATION #1  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2007

Administrators Academy			
	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Local sources	\$ -	\$ -	\$ -
State sources	20,000	15,000	(5,000)
Federal sources	-	-	-
Interest income	-	2	2
<b>Total revenues</b>	<b>20,000</b>	<b>15,002</b>	<b>(4,998)</b>
<b>Expenditures:</b>			
Salaries and benefits	17,049	16,978	71
Purchased services	2,951	2,383	568
Travel and entertainment	-	310	(310)
Supplies and materials	-	15	(15)
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	258	(258)
Postage and copies	-	-	-
Payment to other governmental units	-	-	-
Other	-	-	-
<b>Total expenditures</b>	<b>20,000</b>	<b>19,944</b>	<b>56</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>(4,942)</b>	<b>\$ (4,942)</b>
Fund balance, July 1, 2006		-	
Fund balance, June 30, 2007		<u>\$ (4,942)</u>	

Substance Abuse Prevention and Treatment			
	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Local sources	\$ -	\$ -	\$ -
State sources	89,872	89,872	-
Federal sources	97,300	97,300	-
Interest income	-	167	167
<b>Total revenues</b>	<b>187,172</b>	<b>187,339</b>	<b>167</b>
<b>Expenditures:</b>			
Salaries and benefits	127,903	128,731	(828)
Purchased services	24,904	19,459	5,445
Travel and entertainment	19,000	17,893	1,107
Supplies and materials	15,365	14,299	1,066
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	-	-
Postage and copies	-	-	-
Payment to other governmental units	-	-	-
Other	-	-	-
<b>Total expenditures</b>	<b>187,172</b>	<b>180,382</b>	<b>6,790</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>6,957</b>	<b>\$ 6,957</b>
Fund balance, July 1, 2006		12,919	
Fund balance, June 30, 2007		<u>\$ 19,876</u>	

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2007

Truants Alternative/Optional Education			
	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Local sources	\$ -	\$ -	\$ -
State sources	68,684	68,684	-
Federal sources	-	-	-
Interest income	-	31	31
<b>Total revenues</b>	<b>68,684</b>	<b>68,715</b>	<b>31</b>
<b>Expenditures:</b>			
Salaries and benefits	56,900	58,204	(1,304)
Purchased services	9,284	3,656	5,628
Travel and entertainment	-	4,225	(4,225)
Supplies and materials	2,500	852	1,648
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	249	(249)
Postage and copies	-	950	(950)
Payment to other governmental units	-	-	-
Other	-	-	-
<b>Total expenditures</b>	<b>68,684</b>	<b>68,136</b>	<b>548</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>579</b>	<b>\$ 579</b>
Fund balance, July 1, 2006		2,513	
Fund balance, June 30, 2007		<u>\$ 3,092</u>	

McKinney Education for Homeless			
	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Local sources	\$ -	\$ -	\$ -
State sources	-	-	-
Federal sources	13,600	13,600	-
Interest income	-	-	-
<b>Total revenues</b>	<b>13,600</b>	<b>13,600</b>	<b>-</b>
<b>Expenditures:</b>			
Salaries and benefits	11,336	13,401	(2,065)
Purchased services	1,764	-	1,764
Travel and entertainment	-	518	(518)
Supplies and materials	500	160	340
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	-	-
Postage and copies	-	694	(694)
Payment to other governmental units	-	-	-
Other	-	-	-
<b>Total expenditures</b>	<b>13,600</b>	<b>14,773</b>	<b>(1,173)</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>(1,173)</b>	<b>\$ (1,173)</b>
Fund balance, July 1, 2006		(162)	
Fund balance, June 30, 2007		<u>\$ (1,335)</u>	

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2007

Regional Safe Schools			
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local sources	\$ -	\$ -	\$ -
State sources	131,429	131,429	-
Federal sources	-	-	-
Interest income	-	108	108
<b>Total revenues</b>	<b>131,429</b>	<b>131,537</b>	<b>108</b>
Expenditures:			
Salaries and benefits	-	-	-
Purchased services	-	-	-
Travel and entertainment	-	(256)	256
Supplies and materials	-	-	-
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	-	-
Postage and copies	-	-	-
Payment to other governmental units	131,429	131,537	(108)
Other	-	-	-
<b>Total expenditures</b>	<b>131,429</b>	<b>131,281</b>	<b>148</b>
Net change in fund balances	<u>\$ -</u>	256	<u>\$ 256</u>
Fund balance, July 1, 2006		2,012	
Fund balance, June 30, 2007		<u>\$ 2,268</u>	

Bilingual Education			
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local sources	\$ -	\$ -	\$ -
State sources	28,933	17,890	(11,043)
Federal sources	-	-	-
Interest income	-	14	14
<b>Total revenues</b>	<b>28,933</b>	<b>17,904</b>	<b>(11,029)</b>
Expenditures:			
Salaries and benefits	-	-	-
Purchased services	-	-	-
Travel and entertainment	-	-	-
Supplies and materials	-	-	-
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	-	-
Postage and copies	-	-	-
Payment to other governmental units	28,933	16,090	12,843
Other	-	-	-
<b>Total expenditures</b>	<b>28,933</b>	<b>16,090</b>	<b>12,843</b>
Net change in fund balances	<u>\$ -</u>	1,814	<u>\$ 1,814</u>
Fund balance, July 1, 2006		(1,009)	
Fund balance, June 30, 2007		<u>\$ 805</u>	

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2007

	Special Education Grants Infant/Toddler		
	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Local sources	\$ -	\$ 76	\$ 76
State sources	182,337	184,073	1,736
Federal sources	181,239	181,239	-
Interest income	-	1,700	1,700
<b>Total revenues</b>	<b>363,576</b>	<b>367,088</b>	<b>3,512</b>
<b>Expenditures:</b>			
Salaries and benefits	268,076	241,932	26,144
Purchased services	75,000	65,801	9,199
Travel and entertainment	16,500	24,673	(8,173)
Supplies and materials	4,000	13,515	(9,515)
Institute expenses and workshops	-	-	-
Capital outlay	-	1,284	(1,284)
Communication	-	-	-
Postage and copies	-	-	-
Payment to other governmental units	-	-	-
Other	-	-	-
<b>Total expenditures</b>	<b>363,576</b>	<b>347,205</b>	<b>16,371</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>19,883</b>	<b>\$ 19,883</b>
Fund balance, July 1, 2006		15,271	
Fund balance, June 30, 2007		<u>\$ 35,154</u>	

	Learn and Serve America		
	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Local sources	\$ -	\$ -	\$ -
State sources	-	-	-
Federal sources	7,000	-	(7,000)
Interest income	-	262	262
<b>Total revenues</b>	<b>7,000</b>	<b>262</b>	<b>(6,738)</b>
<b>Expenditures:</b>			
Salaries and benefits	2,500	-	2,500
Purchased services	2,500	3,525	(1,025)
Travel and entertainment	-	-	-
Supplies and materials	2,000	3,069	(1,069)
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	-	-
Postage and copies	-	-	-
Payment to other governmental units	-	121	(121)
Other	-	-	-
<b>Total expenditures</b>	<b>7,000</b>	<b>6,715</b>	<b>285</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>(6,453)</b>	<b>\$ (6,453)</b>
Fund balance, July 1, 2006		9,582	
Fund balance, June 30, 2007		<u>\$ 3,129</u>	

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2007

	English Language Learners		
	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Local sources	\$ -	\$ -	\$ -
State sources	-	-	-
Federal sources	55,000	55,000	-
Interest income	-	50	50
<b>Total revenues</b>	<b>55,000</b>	<b>55,050</b>	<b>50</b>
<b>Expenditures:</b>			
Salaries and benefits	38,750	38,622	128
Purchased services	12,500	9,664	2,836
Travel and entertainment	-	-	-
Supplies and materials	3,750	2,322	1,428
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	-	-
Postage and copies	-	-	-
Payment to other governmental units	-	-	-
Other	-	2,750	(2,750)
<b>Total expenditures</b>	<b>55,000</b>	<b>53,358</b>	<b>1,642</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>1,692</b>	<b>\$ 1,692</b>
Fund balance, July 1, 2006		-	
Fund balance, June 30, 2007		<u>\$ 1,692</u>	

	LIPLEPS		
	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Local sources	\$ -	\$ -	\$ -
State sources	-	-	-
Federal sources	18,415	18,415	-
Interest income	-	-	-
<b>Total revenues</b>	<b>18,415</b>	<b>18,415</b>	<b>-</b>
<b>Expenditures:</b>			
Salaries and benefits	-	-	-
Purchased services	-	-	-
Travel and entertainment	-	-	-
Supplies and materials	-	-	-
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	-	-
Postage and copies	-	-	-
Payment to other governmental units	18,415	18,244	171
Other	-	-	-
<b>Total expenditures</b>	<b>18,415</b>	<b>18,244</b>	<b>171</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>171</b>	<b>\$ 171</b>
Fund balance, July 1, 2006		-	
Fund balance, June 30, 2007		<u>\$ 171</u>	

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2007

	Institute Funds Adams County	Institute Funds Pike County	General Education Development Fund	Supervisory Fund	Bus Driver Fees	Miscellaneous Fund	Pike County Film Cooperative Fund	TOTAL
<b>ASSETS</b>								
Cash and cash equivalents	\$ 26,944	\$ 9,794	\$ 6,027	\$ -	\$ 13,038	\$ 48,821	\$ 5,965	\$ 110,589
Total assets	\$ 26,944	\$ 9,794	\$ 6,027	\$ -	\$ 13,038	\$ 48,821	\$ 5,965	\$ 110,589
<b>LIABILITIES AND FUND BALANCE</b>								
<b>Liabilities</b>								
Accounts payable	\$ 4,344	\$ -	\$ -	\$ 314	\$ -	\$ -	\$ -	\$ 4,658
Total liabilities	4,344	-	-	314	-	-	-	4,658
<b>Fund balance (deficit)</b>								
Reserved for grant programs	-	-	-	-	-	-	-	-
Unreserved - undesignated (deficit)	22,600	9,794	6,027	(314)	13,038	48,821	5,965	105,931
Total fund balance (deficit)	22,600	9,794	6,027	(314)	13,038	48,821	5,965	105,931
Total liabilities and fund balance	\$ 26,944	\$ 9,794	\$ 6,027	\$ -	\$ 13,038	\$ 48,821	\$ 5,965	\$ 110,589

See accompanying Independent Auditor's Report



REGIONAL OFFICE OF EDUCATION #1  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007

	Institute Funds Adams County	Institute Funds Pike County	General Education Development Fund	Supervisory Fund	Bus Driver Fees	Miscellaneous Fund	Pike County Film Cooperative Fund	TOTAL
<b>Revenues:</b>								
Registration, certification and permit fees	\$ 10,221	\$ 27,572	\$ 14,976	\$ -	\$ 876	\$ -	\$ -	\$ 53,645
Local sources	-	-	-	-	-	91,982	-	91,982
State sources	-	-	-	2,000	360	-	-	2,360
Interest income	838	305	219	8	420	2,638	34	4,462
Total revenues	<u>11,059</u>	<u>27,877</u>	<u>15,195</u>	<u>2,008</u>	<u>1,656</u>	<u>94,620</u>	<u>34</u>	<u>152,449</u>
<b>Expenditures:</b>								
Salaries and benefits	-	-	207	-	-	46,437	-	46,644
Purchased services	-	-	7,823	-	1,011	37,159	-	45,993
Travel and entertainment	8,712	-	1,660	2,058	181	4,084	-	16,695
Supplies and materials	-	-	2,906	-	-	759	2,218	5,883
Institute expenses and workshops	7,329	25,840	-	-	-	-	-	33,169
Capital outlay	-	-	-	-	-	7,827	-	7,827
Communication	-	-	993	-	-	-	-	993
Postage and copies	-	-	-	-	-	-	-	-
Payment to other government units	-	-	-	-	-	-	-	-
Other	-	-	1,028	-	-	5,385	-	6,413
Total expenditures	<u>16,041</u>	<u>25,840</u>	<u>14,617</u>	<u>2,058</u>	<u>1,192</u>	<u>101,651</u>	<u>2,218</u>	<u>163,617</u>
Net changes in fund balances	(4,982)	2,037	578	(50)	464	(7,031)	(2,184)	(11,168)
Fund balance - July 1, 2006	<u>27,582</u>	<u>7,757</u>	<u>5,449</u>	<u>(264)</u>	<u>12,574</u>	<u>55,852</u>	<u>8,149</u>	<u>117,099</u>
Fund balance - June 30, 2007	<u>\$ 22,600</u>	<u>\$ 9,794</u>	<u>\$ 6,027</u>	<u>\$ (314)</u>	<u>\$ 13,038</u>	<u>\$ 48,821</u>	<u>\$ 5,965</u>	<u>\$ 105,931</u>

See accompanying Independent Auditor's Report  
66

REGIONAL OFFICE OF EDUCATION #1  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED JUNE 30, 2007

<u>DISTRIBUTIVE FUND</u>	Balance		Balance	
	July 1, 2006	Additions	Reductions	June 30, 2007
<u>ASSETS</u>				
Cash	\$ 6,551	\$ 1,203,756	\$ 1,201,148	\$ 9,159
Total assets	6,551	1,203,756	1,201,148	9,159
<u>LIABILITIES</u>				
Accumulated interest payable	\$ 6,551	\$ 2,608	\$ -	\$ 9,159
Total liabilities	\$ 6,551	\$ 2,608	\$ -	\$ 9,159

See accompanying Independent Auditor's Report

FEDERAL COMPLIANCE SECTION

REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES  
DISTRIBUTIVE FUND  
FOR THE YEAR ENDED JUNE 30, 2007

	West Central Region #240	ROE #1	Totals
Alternative Education	\$ -	\$ 131,429	\$ 131,429
General State Aid	-	215,920	215,920
Reorganization Incentive		6,500	6,500
ROE/ISC Operations	-	158,797	158,797
ROE/ISC School Bus Driver Training	-	360	360
Supervisory Expense	-	2,000	2,000
English Language Learners	-	55,000	55,000
Language Instruction Program for Limited English Proficient Students	-	18,244	18,244
Truants Alternative and Optional Education	-	68,684	68,684
Voc. Ed. Perkins Title Iic Secondary	143,665	-	143,665
Voc. Ed. Sec. Program Imp.	400,549	-	400,549
	<u>\$ 544,214</u>	<u>\$ 656,934</u>	<u>\$ 1,201,148</u>

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Project # or Contract #	Federal Expenditures 7/1/06-6/30/07
Corporation for National and Community Service passed through Illinois State Board of Education:			
<b>Learn and Serve America</b>	94.004	2006-4910-00	<b>6,594</b>
U.S. Dept. of Education passed through Illinois State Board of Education:			
<b>English Language Learners - Other Federal Program</b>	84.365A	2007-4999-PD	<b>53,358</b>
<b>Title III Language Instruction Program for Limited English Proficient Students</b>	84.365A	2007-4909-00	<b>18,244</b>
	Total 84.365A		<b>71,602</b>
U.S. Dept. of Education passed through Hancock-McDonough ROE #26:			
<b>McKinney Education for Homeless</b>	84.196A	2007-4920-00	<b>13,600</b>
U.S. Dept. of Education passed through Clark, Coles, Cumberland, Douglas, Edgar, Moultrie and Shelby ROE #11:			
<b>Standards Aligned Classrooms</b>	84.010A	2007-4331-00	<b>12,000</b>
U.S. Dept. of Health and Human Services passed through IL Department of Human Services:			
<b>Substance Abuse Prevention and Treatment Block Grant</b>	93.959	11G7011000	<b>97,300</b>
U.S. Dept. of Education passed through IL Department of Human Services:			
<b>(m) Special Education Grants Infants/Toddlers</b>	84.181	11G7011000	<b>181,239</b>
Total Expenditures of Federal Awards			<b>\$ 382,335</b>

(m) - Program was audited as a major program

The accompanying notes are an integral part of this schedule

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007

**Note 1 – Reporting Entity Basis of Presentation and Accounting**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of ROE #1 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented on this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2 – Subrecipients**

Language Instruction Program for Limited English Proficient Students expenditures were paid to the following subrecipient school districts: \$171 to Aledo CUSD #38, \$1,705 to Canton Union SD #66, \$1,705 to Carbondale CHSD #165, \$341 to Delevan CUSD #703, \$682 to Macomb SD #185, \$4,774 to Schuyler County CUSD #1, \$7,502 to Unity Point CCSD#140, and \$1,364 to Vienna SD #55.

**Note 3 – Descriptions of Major Federal Program**

Special Education Grants Infants/Toddlers - Federal grant provided by the Department of Health and Human Services to fund a program for pre-school children with disabilities.

**Note 4 – Non-Cash Assistance**

None

**Note 5 – Amount of Insurance**

None

**Note 6 – Loans or Loan Guarantees Outstanding**

None