

**State of Illinois  
DeKALB COUNTY REGIONAL  
OFFICE OF EDUCATION NO. 16  
FINANCIAL AUDIT  
For the Year Ended June 30, 2007**

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

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DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16

OFFICIALS

Regional Superintendent  
(current and during the audit period)

Mr. Gilbert E. Morrison, Jr.

Assistant Regional Superintendent  
(current and during the audit period)

Ms. Tatia L. Beckwith

Office is located at:

245 W. Exchange St., Suite 2  
Sycamore, Illinois 60178

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16

**FINANCIAL REPORT SUMMARY**

The financial audit testing performed in 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 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	1	3
Repeated audit findings	0	1
Prior recommendations implemented or not repeated	3	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	9-10	Controls Over Financial Statement Preparation
PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)		
06-1	12	Controls Over Compliance with Laws and Regulations
06-2	12	Inadequate Controls Over Cash
06-3	12	Inadequate Segregation of Duties

**EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with Agency personnel at an informal exit conference held orally on September 12, 2007. Attending were Mr. Gilbert E. Morrison, Jr., Regional Superintendent, Donna Milburn, bookkeeper, and Joe Hoerschelmann, auditor, from Clifton Gunderson LLP. Responses to the recommendations were provided by Mr. Gilbert E. Morrison, Jr., Regional Superintendent on December 18, 2007.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**

**FINANCIAL STATEMENT REPORT SUMMARY**

The audit of the accompanying basic financial statements of DeKalb County Regional Office of Education No. 16 was performed by Clifton Gunderson LLP.

Based on their audit, the auditors expressed an unqualified opinion on DeKalb County Regional Office of Education No. 16'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 DeKalb County Regional Office of Education No. 16, as of and for the year ended June 30, 2007, which collectively comprise the DeKalb County Regional Office of Education No. 16's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the DeKalb County Regional Office of Education No. 16'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 DeKalb County Regional Office of Education No. 16, 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 our report dated February 11, 2008, on our consideration of the DeKalb County Regional Office of Education No. 16'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 on pages 13 through 22 is not a required part of the basic financial statements but is supplemental information required by the 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 supplemental 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 DeKalb County Regional Office of Education No. 16's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and Schedule of Disbursements to Other Entities - Distributive Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and Schedule of Disbursements to Other Entities - Distributive Fund 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.

*Clifton Gunderson LLP*

Clinton, Iowa  
February 11, 2008



**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 DeKalb County Regional Office of Education No. 16, as of and for the year ended June 30, 2007, which collectively comprise the DeKalb County Regional Office of Education No. 16's basic financial statements and have issued our report thereon dated February 11, 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 DeKalb County Regional Office of Education No. 16'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 DeKalb County Regional Office of Education No. 16's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the DeKalb County Regional Office of Education No. 16'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 a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

*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 deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting, 07-1.

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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency Item 07-1 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the DeKalb County Regional Office of Education No. 16's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

DeKalb County Regional Office of Education No. 16's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit DeKalb County Regional Office of Education No. 16's responses and, accordingly, we express no opinion on them.

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, the 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.

*Clifton Gunderson LLP*

Clinton, Iowa  
February 11, 2008

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**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 weakness(es) identified?                      X   yes             no
- Significant deficiencies identified that are not  
  considered to be material weaknesses?                 yes          X   none reported
- Noncompliance material to  
  financial statements noted?                              yes          X   no

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2007**

**Section II: Findings Related to the Basic Financial Statements:**

**FINDING NO. 07-1 - Controls Over Financial Statement Preparation**

**Criteria/Specific Requirement:**

The Regional Office of Education No. 16 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 No. 16 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 the GAAP based financial statements sufficient 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 internal controls over the processing of all financial transactions and numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.
- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable or accounts payable.
- The Regional Office does not have the ability to prepare accurate financial reports on the fund basis of accounting.

**Effect:**

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

**Cause:**

According to Regional Office officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2007**

**Section II: Findings Related to the Basic Financial Statements:**

**FINDING NO. 07-1 - Controls Over Financial Statement Preparation (Continued)**

**Recommendation:**

As part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education No. 16 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such 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 No. 16 understands the nature of this finding and realizes the circumstance is not unusual in an organization of this size. The Regional Office accepts the degree of risk associated with this condition because the added expense of seeking additional accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region. As such, we will continue to do the best we can with what we have in resources.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**  
**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS**  
**June 30, 2007**

**FINDING NO. 07-1 - Controls Over Financial Statement Preparation**

**Condition:**

The Regional Office of Education No. 16 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 the GAAP based financial statements sufficient 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 internal controls over the processing of all financial transactions and numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.
- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable or accounts payable.
- The Regional Office does not have the ability to prepare accurate financial reports on the fund basis of accounting.

**Plan:**

The Regional Office of Education No. 16 understands the nature of this finding and realizes the circumstance is not unusual in an organization of this size. The Regional Office accepts the degree of risk associated with this condition because the added expense of seeking additional accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region. As such, we will continue to do the best we can with what we have in resources.

**Anticipated Completion Date:**

June 30, 2008

**Contact Person Responsible for Corrective Action:**

Mr. Gilbert E. Morrison, Jr., Regional Superintendent

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**June 30, 2007**

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
06-1	A. Public Act 95-496 repealed the requirements of 105 ILCS 5/3-14.11.	Resolved
06-1	B. ROE reported all activities quarterly to the county board, including a list of all school visited with dates of visitation.	Resolved
06-1	C. Public Act 95-496 repealed the requirements of 105 ILCS 5/3-14.5.	Resolved
06-2	Inadequate Controls Over Cash	Resolved
06-3	Inadequate Segregation of Duties	Resolved

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2007**

DeKalb County Regional Office of Education No. 16 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 DeKalb County Regional Office of Education No. 16's financial statements, which follow.

**2007 FINANCIAL HIGHLIGHTS**

- Institute Fund revenues increased from \$260,840 in fiscal year 2006 to \$283,231 in fiscal year 2007, and Institute Fund expenditures increased from \$260,754 in fiscal year 2006 to \$289,295 in fiscal year 2007. DeKalb County Regional Office of Education No. 16's Institute Fund balance decreased from \$66,906 in fiscal year 2006 to \$60,842 in fiscal year 2007.
- The increase in Institute Fund revenues was attributable to an increase in the on-behalf payments received as well as an increase in local source revenue due to an increase in certificate applications and registration fees.
- The General Educational Development Fund revenues increased from \$5,473 in 2006 to \$5,766 in 2007. This increase is primarily due to more people registering for GED testing. Expenditures decreased from \$4,584 in 2006 to \$3,485 in 2007. This decrease is primarily due to certificate covers no longer being provided because of a change in size of the certificates.
- The Education Fund revenues increased from \$579,623 in 2006 to \$583,268 in 2007. Expenditures increased from \$579,515 in 2006 to \$583,099 in 2007. This increase is primarily due to an increase in state funding.

**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 DeKalb County Regional Office of Education No. 16'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 DeKalb County Regional Office of Education No. 16 as a whole and present an overall view of DeKalb County Regional Office of Education No. 16's finances.

The Fund Financial Statements show how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report DeKalb County Regional Office of Education No. 16's operations in more detail than the government-wide statements by providing information about the most significant funds.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007**

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Supplemental Information provides detailed information about the Education Fund grants in detail, and the nonmajor special revenue funds.

Summarized below are the major features of DeKalb County Regional Office of Education No. 16's financial statements, including the portion of DeKalb County Regional Office of Education No. 16's activities they cover and the types of information they contain.

	<b>Government-wide Statements</b>	<b>Fund Statements</b>	
		<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire DeKalb County Regional Office of Education No. 16	The activities of DeKalb County Regional Office of Education, such as Institute, General Educational Development, and Education	Instances in which Regional Office of Education No. 16 administers resources on behalf of someone else, such as the distributive fund
Required financial statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All additions and deductions during the year, regardless of when cash is received or paid

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2007**

**REPORTING DEKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16'S FINANCIAL ACTIVITIES**

***Government-wide Financial Statements***

The government-wide financial statements report information about DeKalb County Regional Office of Education No. 16 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of DeKalb County Regional Office of Education No. 16's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report DeKalb County Regional Office of Education No. 16's net assets and how they have changed. Net assets - the difference between DeKalb County Regional Office of Education No. 16's assets and liabilities - are one way to measure DeKalb County Regional Office of Education No. 16's financial health or financial position. Over time, increases or decreases in DeKalb County Regional Office of Education No. 16's net assets are an indicator of whether financial position is improving or deteriorating. To assess DeKalb County Regional Office of Education No. 16's overall health, additional non-financial factors, such as changes in DeKalb County Regional Office of Education No. 16's community and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, DeKalb County Regional Office of Education No. 16's activities are in one category:

- *Governmental activities:* All of DeKalb County Regional Office of Education No. 16's basic services are included here, such as grants and teacher certifications. Federal and state grants and local programs finance most of these activities.

***Fund Financial Statements***

The fund financial statements provide more detailed information about DeKalb County Regional Office of Education No. 16's funds, focusing on its most significant or "major" funds - not DeKalb County Regional Office of Education No. 16 as a whole. Funds are accounting devices DeKalb County Regional Office of Education No. 16 uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law. DeKalb County Regional Office of Education No. 16 establishes other funds to control and manage money for particular purposes, such as accounting for special revenue funds, or to show that it is properly using certain revenues, such as federal grants.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2007**

DeKalb County Regional Office of Education No. 16 has two kinds of funds:

1) *Governmental funds*: All of DeKalb County Regional Office of Education No. 16's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance DeKalb County Regional Office of Education No. 16's programs.

DeKalb County Regional Office of Education No. 16's governmental funds include Institute Fund, General Educational Development Fund, Bus Permit Fund, Supervisory Fund, and Education Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

2) *Fiduciary funds*: DeKalb County Regional Office of Education No. 16 is the trustee for assets that belong to others. These funds include Agency Funds. Agency Funds are funds through which DeKalb County Regional Office of Education No. 16 administers and accounts for certain federal and/or state grants on behalf of others.

DeKalb County Regional Office of Education No. 16 is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. DeKalb County Regional Office of Education No. 16 excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of DeKalb County Regional Office of Education No. 16, assets exceeded liabilities by \$87,908 as of June 30, 2007.

The Government-wide statements also include \$12,520 in liabilities consisting of accounts payable.

DeKalb County Regional Office of Education No. 16's financial position is the product of several financial transactions including the net results of activities.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007**

The following table presents a summary of DeKalb County Regional Office of Education No. 16's net assets for the fiscal years ended June 30, 2007 and 2006.

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Current assets	<u>\$ 100,429</u>	<u>\$ 99,859</u>
Current liabilities	<u>12,520</u>	<u>9,678</u>
Net assets		
Unrestricted	27,067	23,275
Restricted for teacher professional development	<u>60,842</u>	<u>66,906</u>
<b>Total net assets</b>	<u>\$ 87,909</u>	<u>\$ 90,181</u>

The largest portion of DeKalb County Regional Office of Education No. 16's net assets is restricted for teacher professional development. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was \$27,067 and \$23,275 at June 30, 2007 and 2006, respectively. In addition, net assets related to the Institute Fund are considered restricted for teacher professional development.

**Changes in net assets.** DeKalb County Regional Office of Education No. 16's total revenues for the fiscal years ended June 30, 2007 and 2006 were \$876,366 and \$849,288, respectively. The total cost of all programs and services for 2007 and 2006 was \$878,638 and 847,610, respectively. The following tables present a summary of the changes in net assets for the fiscal years ended June 30, 2007 and 2006.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007**

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 51,427	\$ 39,789
Operating grants and contributions	585,059	581,440
General revenues:		
Local sources	8,076	7,008
On-behalf payments	<u>231,804</u>	<u>221,051</u>
Total revenues	<u>876,366</u>	<u>849,288</u>
<b>Expenses:</b>		
Education:		
Purchased services	476,964	467,153
Supplies and materials	3,840	166
Payments to other governments	166,030	159,240
Administrative:		
On-behalf payments	<u>231,804</u>	<u>221,051</u>
Total expenses	<u>878,638</u>	<u>847,610</u>
Change in net assets	(2,272)	1,678
Beginning net assets	<u>90,181</u>	<u>88,503</u>
<b>Ending net assets</b>	<u><u>\$ 87,909</u></u>	<u><u>\$ 90,181</u></u>

Operating grants and contributions account for 67% and 68% of the total revenue for June 30, 2007 and 2006, respectively. DeKalb County Regional Office of Education No. 16's expenses primarily relate to education which accounts for 74% of the total expenses for June 30, 2007 and 2006.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007**

**Governmental Activities**

Revenues for governmental activities were \$876,366 and \$849,288 and expenses were \$878,638 and \$847,610 for 2007 and 2006, respectively.

The following table presents the cost of DeKalb County Regional Office of Education No. 16's functional governmental activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and DeKalb County Regional Office of Education No. 16's community by each of these functions.

**2007**

	<b><u>Total</u></b>	<b><u>Net</u></b>
	<b><u>Expenses</u></b>	<b><u>(Expenses)</u></b>
		<b><u>Revenues</u></b>
Education		
Purchased services	\$ 476,964	\$ (6,508)
Supplies and materials	3,840	(3,840)
Payments to other governments	166,030	-
Administrative		
On-behalf payments	<u>231,804</u>	<u>(231,804)</u>
<b>Total expenses</b>	<b><u>\$ 878,638</u></b>	<b><u>\$ (242,152)</u></b>

- The cost of all governmental activities this year was \$878,638.
- Charges for services and operating grants and contributions subsidized certain governmental activities with grants and contributions and other local revenues of \$636,486.

Net cost of governmental activities (\$242,152), was financed by local sources and on-behalf payments that are not directly associated with the functions and objects above.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007**

**2006**

	<b><u>Total Expenses</u></b>	<b><u>Net (Expenses) Revenues</u></b>
Education		
Purchased services	\$ 467,153	\$ (5,164)
Supplies and materials	166	(166)
Payments to other governments	159,240	-
Administrative		
On-behalf payments	<u>221,051</u>	<u>(221,051)</u>
<b>Total expenses</b>	<b><u>\$ 847,610</u></b>	<b><u>\$(226,381)</u></b>

- The cost of all governmental activities this year was \$847,610.
- Charges for services and operating grants and contributions subsidized certain governmental activities with grants and contributions and other local revenues of \$621,229.

Net cost of governmental activities (\$226,381), was financed by local sources and on-behalf payments that are not directly associated with the functions and objects above.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, DeKalb County Regional Office of Education No. 16 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of DeKalb County Regional Office of Education No. 16 as a whole is reflected in its governmental funds, as well. As DeKalb County Regional Office of Education No. 16 completed the year, its governmental funds reported a combined fund balance of \$87,908, below last year's ending fund balance of \$90,181.

**Governmental Fund Highlights**

- The Institute Fund fund balance decreased from \$66,906 in 2006 to \$60,842 in 2007, which is due to expenses for fingerprinting substitute teachers not yet reimbursed by the local participating school districts.
- The General Educational Development Fund balance increased from \$19,239 to \$21,520, due to more people registering for GED testing.
- The Education Fund balance realized a small increase from \$108 in 2006 to \$277 in 2007.



**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007**

**BUDGETARY HIGHLIGHTS**

DeKalb County Regional Office of Education No. 16 is not required to create a budget for overall operations. They are required to prepare budgets for four grants including Early Childhood Grant, Regional Safe Schools Grant, Alternative Education, and Learn and Serve America.

**ECONOMIC FACTORS BEARING ON DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16'S FUTURE**

At the time these financial statements were prepared and audited, DeKalb County Regional Office of Education No. 16 was aware of several existing circumstances that could significantly affect its financial health in the future:

The DeKalb County Regional Office of Education will receive a slight increase in the state Truancy Grant award amount (\$4,000). The Regional Office has also been designated as one of seven statewide resource sites for National Board of Professional Teaching Standards (Master Teacher) certification, and will have funds provided to be distributed to other ROEs and NBCTs. We also expect a slight increase in fingerprinting traffic.

**CONTACTING DEKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16'S FINANCIAL MANAGEMENT**

This financial report is designed to provide DeKalb County Regional Office of Education No. 16's citizens, taxpayers, customers and creditors with a general overview of DeKalb County Regional Office of Education No. 16's finances and to demonstrate DeKalb County Regional Office of Education No. 16's accountability for the money it receives. If you have questions about this report or need additional financial information, contact DeKalb County Regional Office of Education No. 16, 245 W Exchange St., Suite 2, Sycamore, Illinois 60178.

## **BASIC FINANCIAL STATEMENTS**

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**  
**STATEMENT OF NET ASSETS**  
June 30, 2007

	<b><u>Primary Government Governmental Activities</u></b>
<b>ASSETS</b>	
Cash	\$ 99,402
Governmental grants receivable	<u>1,027</u>
Total assets	<u>100,429</u>
<b>LIABILITIES</b>	
Accounts payable	<u>12,520</u>
<b>NET ASSETS</b>	
Unrestricted	27,067
Restricted for teacher professional development	<u>60,842</u>
<b>Total net assets</b>	<b><u>\$ 87,909</u></b>

The accompanying notes are an integral part of the financial statements.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16  
 STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2007

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets Primary Governmental Activities</u>
Primary government:					
Governmental activities:					
Education:					
Purchased services	\$ 476,964	\$ 51,427	\$ 419,029	\$ (6,508)	
Supplies and materials	3,840	-	-	(3,840)	
Payments to other governments	166,030	-	166,030	-	
Administrative:					
On-behalf payments	231,804	-	-	(231,804)	
<b>Total primary government</b>	<u>\$ 878,638</u>	<u>\$ 51,427</u>	<u>\$ 585,059</u>	<u>(242,152)</u>	
General revenues:					
Local sources					8,076
On-behalf payments					231,804
Total general revenues					<u>239,880</u>
<b>CHANGES IN NET ASSETS</b>					<u>(2,272)</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>					<u>90,181</u>
<b>NET ASSETS, END OF YEAR</b>					<u>\$ 87,909</u>

The accompanying notes are an integral part of the financial statements.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

		General Educational Development Fund	Education Fund	Other Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$	60,842	\$ 21,520	\$ 11,770	\$ 99,402
Governmental grants receivable	-	-	1,027	-	1,027
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>60,842</b>	<b>\$ 21,520</b>	<b>\$ 12,797</b>	<b>\$ 100,429</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$	-	\$ 12,520	-	\$ 12,520
<b>FUND BALANCES</b>					
Unreserved, reported in:					
Special revenue funds		60,842	21,520	277	87,909
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$</b>	<b>60,842</b>	<b>\$ 21,520</b>	<b>\$ 12,797</b>	<b>\$ 100,429</b>

The accompanying notes are an integral part of the financial statements.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2007**

<b>Total fund balances - governmental funds (page 26)</b>	\$ 87,909
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
No changes	<u>          -</u>
<b>Net assets of governmental activities (page 24)</b>	<u><u>\$ 87,909</u></u>

The accompanying notes are an integral part of the financial statements.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2007**

		<b>Institute</b>	<b>General</b>	<b>Education</b>	<b>Other</b>	<b>Total</b>
		<b>Fund</b>	<b>Development</b>	<b>Fund</b>	<b>Nonmajor</b>	<b>Governmental</b>
		<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>	<b>Funds</b>
<b>REVENUES</b>						
Local sources	\$	51,427	\$ 5,766	\$ 169	\$ 2,141	\$ 59,503
State sources		-	-	565,744	1,960	567,704
Federal sources		-	-	17,355	-	17,355
On-behalf payments		231,804	-	-	-	231,804
Total revenues		<u>283,231</u>	<u>5,766</u>	<u>583,268</u>	<u>4,101</u>	<u>876,366</u>
<b>EXPENDITURES</b>						
Current:						
Education:						
Purchased services		57,491	-	416,714	2,759	476,964
Supplies and materials		-	3,485	355	-	3,840
Payments to other governments		-	-	166,030	-	166,030
On-behalf payments		231,804	-	-	-	231,804
Total expenditures		<u>289,295</u>	<u>3,485</u>	<u>583,099</u>	<u>2,759</u>	<u>878,638</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>						
<b>OVER (UNDER) EXPENDITURES</b>		(6,064)	2,281	169	1,342	(2,272)
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<u>66,906</u>	<u>19,239</u>	<u>108</u>	<u>3,928</u>	<u>90,181</u>
<b>FUND BALANCE, END OF YEAR</b>	\$	<u><u>60,842</u></u>	<u><u>21,520</u></u>	<u><u>277</u></u>	<u><u>5,270</u></u>	<u><u>\$ 87,909</u></u>

The accompanying notes are an integral part of the financial statements.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2007**

<b>Net change in fund balances (page 28)</b>	\$ (2,272)
Amounts reported for governmental activities in the Statement of Activities are different because:	
No changes	<u>          -</u>
<b>Change in net assets of governmental activities (page 25)</b>	<u>\$ (2,272)</u>

The accompanying notes are an integral part of the financial statements.



**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2007**

	<b><u>Agency Funds</u></b>
<b>ASSETS</b>	
Cash	\$ 1,388
Due from others	<u>1,074</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,462</u></b>
<b>LIABILITIES</b>	
Due to future scholarships	\$ 2,072
Due to other governmental agencies	<u>390</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 2,462</u></b>

The accompanying notes are an integral part of the financial statements.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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

The DeKalb County Regional Office of Education No. 16 was created when an Educational Service Region became a Regional Office of Education on August 7, 1995. The DeKalb County Regional Office of Education No. 16 operates under the School Code (105 ILCS 5/3 and 5/3A). The Regional Office of Education encompasses DeKalb County, Illinois. A Regional Superintendent of Schools serves as Chief Administrative Officer of DeKalb County Regional Office of Education No. 16 and is elected pursuant to 105 ILCS 5/3 and 5/3A of the School Code. The principal financial duty of the Regional Superintendent is to receive and distribute monies due to school districts from general state aid, state categorical grants, and various other sources.

The functions of the DeKalb County Regional Office of Education No. 16 include, but are not limited to the following:

- Processing teachers' certificates
- Teaching initial and refresher classes for school bus drivers within DeKalb County Regional Office of Education No. 16
- Review life/safety requirements for schools in conjunction with the State of Illinois
- Issuing newsletters regarding new Illinois life/safety requirements
- Monitoring compliance with State laws and Department of Education policies and procedures
- Providing directions to teachers and school officials on science, art and teaching methods
- Implementing the State Board of Education's Policy Programs
- Encouraging camaraderie among teachers through the teachers' institute

The DeKalb County Regional Office of Education No. 16's accounting policies conform to generally accepted accounting principles which are appropriate to local governmental agencies of this type.

**Principles Used to Determine the Scope of the Reporting Entity**

The DeKalb County Regional Office of Education No. 16's reporting entity includes all related organizations for which it exercises oversight responsibility.

The DeKalb County Regional Office of Education No. 16 has developed criteria to determine whether outside agencies with activities which benefit the citizens of DeKalb County Regional Office of Education No. 16, including joint agreements which serve pupils from numerous school districts, should be included within its financial reporting entity. The criteria include but are not limited to, whether DeKalb County Regional Office of Education No. 16 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.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Regional Superintendent has determined that no outside agency meets the above criteria and, therefore, no agency has been included as a component unit in the Regional Superintendent's financial statements. In addition, the Regional Superintendent is not aware of any entity which would exercise such oversight which would result in the Regional Superintendent being considered a component unit of the entity.

**Basis of Presentation**

**Government-wide Financial Statements** - The Statement of Net Assets and the Statement of Activities report information on all of the activities of DeKalb County Regional Office of Education No. 16. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by intergovernmental and local revenues.

The Statement of Net Assets presents DeKalb County Regional Office of Education No. 16's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements** - Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column within the governmental funds in the financial section of the basic financial statements and are detailed in the supplemental information.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

DeKalb County Regional Office of Education No. 16 reports the following major governmental funds:

Institute - to account for the stewardship of the assets held in trust for the benefit of the teachers. Fees are collected from registration of teachers' certificates of qualification. Monies are expended to conduct teachers' institutes, conferences, and workshops. All funds generated remain restricted until expended only on the aforementioned activities.

General Educational Development - to account for the administration of the general educational development testing program. Revenues are received from testing and diploma fees.

Education Fund - to account for State and Federal grant monies received for, and payment of, administering numerous grant awards which include:

Early Childhood Grant - used to account for grant monies received for, and payment of, expenses for developing and operating programs for parents of young children.

Regional Safe Schools Grant - used to account for a grant that provides additional staff and materials for the alternative schools in the region.

General State Aid - used to account for monies received for, and payment of, expenses for general operations of alternative schools in the region.

Alternative Education - used to account for a grant that provides for funding for the alternative schools within the region.

Learn and Serve America - used to account for grant monies received for, and expenditures incurred associated with the Learn and Serve America program.

DeKalb County Regional Office of Education No. 16 reports the following nonmajor governmental funds:

Bus Permit - to account for the stewardship of the assets held in trust in connection with the Bus Driver Training Program.

Supervisory - to account for monies from the State of Illinois for expenditures incurred providing supervisory services in the County.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fiduciary Funds

Agency Funds - The Agency Funds are used to account for assets held by DeKalb County Regional Office of Education No. 16 as an agency for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Distributive - State and federal funds are distributed by the Illinois State Board of Education. DeKalb County Regional Office of Education No. 16 is responsible for forwarding these monies to local school districts and others in DeKalb County.

Scholarship - the source of this account is a bequest. Funds are to be used for scholarships.

Board of Trustees - the source of this account is from the petitions of citizens wishing to change school districts.

Outreach Workers - the source of this fund is a local school district in DeKalb County. Funds are collected from the local school districts then paid to DeKalb County to help fund a Truancy Outreach Worker in DeKalb County.

**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 provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the DeKalb County Regional Office of Education No. 16.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

DeKalb County Regional Office of Education No. 16 records on-behalf payments made by the State to the Teachers' Retirement System as revenue and expenditures.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Capital asset acquisitions are reported as expenditures in governmental funds.

Under the terms of grant agreements, DeKalb County Regional Office of Education No. 16 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is DeKalb County Regional Office of Education No. 16's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

DeKalb County Regional Office of Education No. 16 maintains its financial records on the cash basis. The financial statements of DeKalb County Regional Office of Education No. 16 are prepared by making memorandum adjusting entries to the cash basis financial records.

**Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the balance sheet:

Cash - The cash balances of DeKalb County Regional Office of Education No. 16 are valued at cost.

Governmental grants receivable - Governmental grants receivable represents amounts due from the Illinois State Board of Education.

Fund equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**Capital Assets**

Capital assets were acquired using the governmental resources of DeKalb County; therefore, the existing balance of capital assets will not be presented.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets and Budgetary Accounting**

DeKalb County Regional Office of Education No. 16 does not adopt a formal budget for all revenues and expenditures of the governmental funds, nor are they legally required to do so. The Early Childhood Grant, Regional Safe Schools Grant, Alternative Education, and Learn and Serve America are administered by DeKalb County Regional Office of Education No. 16 and are subject to budget approval by the State of Illinois.

**Salaries and Expenses**

The Regional Superintendent and Assistant Superintendent's salaries are paid by the State of Illinois; all other employees are paid by the County of DeKalb. All certified personnel participate in the Teachers' Retirement System of the State of Illinois and others participate in the Illinois Municipal Retirement Fund with the contributions being paid by the County of DeKalb. Information about these retirement plans can be found in the basic financial statements of DeKalb County.

**Intergovernmental Agreement**

On August 7, 1992, DeKalb County Regional Office of Education No. 16 entered into an Intergovernmental Agreement executed pursuant to the provisions of the Intergovernmental Cooperation Clause of the Illinois Constitution as well as the provisions of the Intergovernmental Cooperation Act of 1973 and the Illinois Admin. Code 525.110. The name of the Educational Service delivery system formed is known as the Kishwaukee Intermediate Delivery System, (KIDS). Membership in KIDS is made up of the following Regional Offices of Education: Boone-Winnebago, DeKalb, and McHenry. The Boone-Winnebago ROE was designated as Administrative Agent.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The deposit and investment of monies is governed by the provisions of the Illinois Compiled Statutes. At June 30, 2007, the carrying amount of the deposits was \$100,790 and the bank balance was \$132,799.

**Deposits**

Custodial credit risk - Custodial credit risk is the risk that in the event of a bank failure, DeKalb County Regional Office of Education No. 16's deposits may not be returned. DeKalb County Regional Office of Education No. 16 does not have a deposit policy for custodial credit risk. As of June 30, 2007, all of DeKalb County Regional Office of Education No. 16's deposits were covered by either FDIC insurance or collateral held by the bank in the name of DeKalb County Regional Office of Education No. 16.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Investments

DeKalb County Regional Office of Education No. 16 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, DeKalb County Regional Office of Education No. 16 had investments with carrying and fair values of \$2,802 invested in the Illinois Funds Money Market Fund.

Credit risk - At June 30, 2007, the Illinois Funds Money Market Fund had a Standard and Poor's AAAM 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 Investment 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 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 Fund 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 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.

**NOTE 3 - PENSIONS**

All employees are paid by DeKalb County or the State of Illinois; therefore, no provision or funding for pension costs is required.

**NOTE 4 - DISPOSITION OF DISTRIBUTIVE FUND INTEREST**

Revenues are partially derived from interest on deposits of the various funds under the jurisdiction of DeKalb County Regional Office of Education No. 16. A substantial portion of these interest earnings have been earned on monies which are passed through from the Illinois State Board of Education to the various school districts within the County of DeKalb.

Illinois Compiled Statutes require that interest earned by a public agency on investments of funds held for, but owned by, another public agency shall be credited to the public agency for which the investment is made; i.e. the owner of the funds.



**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 4 - DISPOSITION OF DISTRIBUTIVE FUND INTEREST (CONTINUED)**

Per an intergovernmental agreement between DeKalb County Regional Office of Education No. 16 and the school districts, 80% of distributive fund interest earned is remitted to the school districts and 20% is retained by DeKalb County Regional Office of Education No. 16.

**NOTE 5 - ON-BEHALF PAYMENTS**

Salaries of the Regional Superintendent and his first assistant are paid by the State of Illinois. All other salaries are paid by DeKalb County. Pension plan contributions associated with these salaries are also paid, respectively, by the State of Illinois and DeKalb County.

A breakdown of the on-behalf payments for the Regional Superintendent, his first assistant, and the County employees are as follows:

Regional Superintendent - salary	\$ 84,737
Regional Superintendent - benefits (includes state paid insurance)	12,717
Assistant Regional Superintendent - salary	76,263
Assistant Regional Superintendent - benefits (includes state paid insurance)	<u>12,166</u>
Total State of Illinois on-behalf payments	<u>185,883</u>
County employees - salaries	40,338
County employees - benefits	<u>5,583</u>
Total DeKalb County on-behalf payments	<u>45,921</u>
<b>Total on-behalf payments</b>	<b><u>\$ 231,804</u></b>

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. Salary and benefit data for the County employees was calculated based on data provided by the DeKalb County Regional Office of Education No. 16.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 6 - DUE TO/FROM OTHER GOVERNMENTAL AGENCIES**

The DeKalb County Regional Office of Education No. 16's Agency Fund has funds due to/from various other governmental units which consist of the following:

Due to Other Governmental Agencies

Other local education agencies	\$ <u>390</u>
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Due From Other Governmental Agencies

Illinois State Board of Education	\$ <u>1,027</u>
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**NOTE 7 - RISK MANAGEMENT**

DeKalb County Regional Office of Education No. 16 is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. DeKalb County Regional Office of Education No. 16 assumes liability for any deductibles and claims in excess of coverage limitations. There has been no significant reduction in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the year.

**NOTE 8 - NEW PRONOUNCEMENT**

In 2007, DeKalb County Regional Office of Education No. 16 adopted Governmental Accounting Standards Board (GASB) Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The Regional Office of Education implemented this standard during the current year; however, it does not have a significant impact on the financial statements.

This information is an integral part of the accompanying financial statements.

**OTHER SUPPLEMENTAL INFORMATION**

SCHEDULE 1

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16  
 COMBINING SCHEDULE OF ACCOUNTS  
 EDUCATION FUND  
 June 30, 2007

	Early Childhood <u>Grant</u>	Regional Safe Schools <u>Grant</u>	General State <u>Aid</u>	Alternative <u>Education</u>	Learn and Serve <u>America</u>	<u>Total</u>
<b>ASSETS</b>						
Cash	\$ 4,485	\$ -	\$ 7,177	\$ 108	\$ -	\$ 11,770
Governmental grants receivable	<u>1,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,027</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,512</u>	<u>\$ -</u>	<u>\$ 7,177</u>	<u>\$ 108</u>	<u>\$ -</u>	<u>\$ 12,797</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 5,366	\$ -	\$ 7,154	\$ -	\$ -	\$ 12,520
<b>FUND BALANCES</b>						
Fund balances, unreserved	<u>146</u>	<u>-</u>	<u>23</u>	<u>108</u>	<u>-</u>	<u>277</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 5,512</u>	<u>\$ -</u>	<u>\$ 7,177</u>	<u>\$ 108</u>	<u>\$ -</u>	<u>\$ 12,797</u>

SCHEDULE 2

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 EDUCATION FUND ACCOUNTS  
 Year Ended June 30, 2007

	Early Childhood Grant	Regional Safe Schools Grant	General State Aid	Alternative Education	Learn and Serve America	Total
<b>REVENUES</b>						
Local sources	\$ 146	-	23	-	-	\$ 169
State sources	96,682	166,030	183,219	119,813	-	565,744
Federal sources	-	-	-	-	17,355	17,355
Total revenues	<u>96,828</u>	<u>166,030</u>	<u>183,242</u>	<u>119,813</u>	<u>17,355</u>	<u>583,268</u>
<b>EXPENDITURES</b>						
Current:						
Education:						
Purchased services	96,682	-	183,219	119,813	17,000	416,714
Supplies and materials	-	-	-	-	355	355
Payments to other governments	-	166,030	-	-	-	166,030
Total expenditures	<u>96,682</u>	<u>166,030</u>	<u>183,219</u>	<u>119,813</u>	<u>17,355</u>	<u>583,099</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	146	-	23	-	-	169
<b>FUND BALANCE, BEGINNING OF YEAR</b>	-	-	-	108	-	108
<b>FUND BALANCE, UNRESERVED, END OF YEAR</b>	<u>\$ 146</u>	<u>-</u>	<u>\$ 23</u>	<u>\$ 108</u>	<u>\$ -</u>	<u>\$ 277</u>

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNTS  
 Year Ended June 30, 2007

	Early Childhood Grant			Regional Safe Schools Grant			Alternative Education		
	Budgeted Original	Budgeted Final	Variance with Final Budget	Budgeted Original	Budgeted Final	Variance with Final Budget	Budgeted Original	Budgeted Final	Variance with Final Budget
<b>REVENUES</b>									
Local sources	\$ -	\$ -	\$ 146	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	91,935	91,935	96,682	166,030	166,030	4,747	119,813	119,813	-
Federal sources	-	-	-	-	-	-	-	-	-
Total revenues	91,935	91,935	96,828	166,030	166,030	4,893	119,813	119,813	-
<b>EXPENDITURES</b>									
Current:									
Education:									
Purchased services	91,935	91,935	96,682	-	-	(4,747)	119,813	119,813	-
Supplies and materials	-	-	-	-	-	-	-	-	-
Payments to other governments	-	-	-	166,030	166,030	166,030	-	-	-
Total expenditures	91,935	91,935	96,682	166,030	166,030	(4,747)	119,813	119,813	-
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	\$ -	\$ -	\$ 146	\$ -	\$ -	\$ 146	\$ -	\$ -	\$ -
<b>FUND BALANCE, BEGINNING OF YEAR</b>									108
<b>FUND BALANCE, END OF YEAR</b>			\$ 146						\$ 108

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNTS  
Year Ended June 30, 2007

	Learn and Serve America			Total				
	Budgeted Amounts Original	Final	Actual Amounts	Variance with Final Budget	Budgeted Amounts Original	Final	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>								
Local sources	\$ -	-	\$ -	\$ -	\$ -	-	\$ 146	\$ 146
State sources	-	-	-	-	377,778	377,778	382,525	4,747
Federal sources	8,000	8,000	17,355	9,355	8,000	17,355	17,355	9,355
Total revenues	8,000	8,000	17,355	9,355	385,778	385,778	400,026	14,248
<b>EXPENDITURES</b>								
Current:								
Education:								
Purchased services	7,750	7,750	17,000	(9,250)	219,498	219,498	233,495	(13,997)
Supplies and materials	250	250	355	(105)	250	250	355	(105)
Payments to other governments	-	-	-	-	166,030	166,030	166,030	-
Total expenditures	8,000	8,000	17,355	(9,355)	385,778	385,778	399,880	(14,102)
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 146	\$ 146
<b>FUND BALANCE, BEGINNING OF YEAR</b>								
							108	108
<b>FUND BALANCE, END OF YEAR</b>							\$ 254	\$ 254

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 June 30, 2007

	<u>Bus Permit</u>	<u>Supervisory</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 3,776	\$ 1,494	\$ 5,270
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
None	\$ -	\$ -	\$ -
<b>FUND BALANCES</b>			
Unreserved	3,776	1,494	5,270
<b>TOTAL LIABILITIES AND FUND BALANCES</b>			
	\$ 3,776	\$ 1,494	\$ 5,270



DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS  
 Year Ended June 30, 2007

	<u>Bus Permit</u>	<u>Supervisory</u>	<u>Total</u>
<b>REVENUES</b>			
Local sources	2,140	\$ 1	\$ 2,141
State sources	960	1,000	1,960
Total revenues	<u>3,100</u>	<u>1,001</u>	<u>4,101</u>
<b>EXPENDITURES</b>			
Current:			
Education:			
Purchased services	<u>2,110</u>	<u>649</u>	<u>2,759</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	990	352	1,342
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>2,786</u>	<u>1,142</u>	<u>3,928</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 3,776</u>	<u>\$ 1,494</u>	<u>\$ 5,270</u>

SCHEDULE 6

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 AGENCY FUNDS  
 June 30, 2007

	<u>Distributive</u>	<u>Scholarship</u>	Board of <u>Trustees</u>	<u>Outreach Workers</u>	<u>Total</u>
<b>ASSETS</b>					
Cash (overdraft)	\$ 254	\$ 2,072	\$ 136	\$ (1,074)	\$ 1,388
Due from others	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,074</u>	<u>1,074</u>
<b>TOTAL ASSETS</b>	<u>\$ 254</u>	<u>\$ 2,072</u>	<u>\$ 136</u>	<u>\$ -</u>	<u>\$ 2,462</u>
<b>LIABILITIES</b>					
Due to future scholarships	\$ -	\$ 2,072	\$ -	\$ -	\$ 2,072
Due to other governmental agencies	<u>254</u>	<u>-</u>	<u>136</u>	<u>-</u>	<u>390</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 254</u>	<u>\$ 2,072</u>	<u>\$ 136</u>	<u>\$ -</u>	<u>\$ 2,462</u>

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16  
COMBINING STATEMENT OF CHANGES - ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2007**

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
<b><u>Distributive</u></b>				
<b>ASSETS</b>				
Cash	\$ 12,768	\$ 542,005	\$ 554,519	\$ 254
<b>LIABILITIES</b>				
Due to other governmental agencies	\$ 12,768	\$ 542,005	\$ 554,519	\$ 254
<b><u>Scholarship</u></b>				
<b>ASSETS</b>				
Cash	\$ 2,063	\$ 9	\$ -	\$ 2,072
<b>LIABILITIES</b>				
Due to future scholarships	\$ 2,063	\$ 9	\$ -	\$ 2,072
<b><u>Board of Trustees</u></b>				
<b>ASSETS</b>				
Cash	\$ 136	\$ -	\$ -	\$ 136
<b>LIABILITIES</b>				
Due to other governmental agencies	\$ 136	\$ -	\$ -	\$ 136

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16  
COMBINING STATEMENT OF CHANGES - ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b><u>Outreach Workers</u></b>				
<b>ASSETS</b>				
Cash (overdraft)	\$ 3,279	\$ 603	\$ 4,956	\$ (1,074)
Due from others	<u>-</u>	<u>1,074</u>	<u>-</u>	<u>1,074</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,279</u>	<u>\$ 1,677</u>	<u>\$ 4,956</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to other governmental agencies	<u>\$ 3,279</u>	<u>\$ 1,677</u>	<u>\$ 4,956</u>	<u>\$ -</u>
 <b><u>Totals</u></b>				
<b>ASSETS</b>				
Cash	\$ 18,246	\$ 542,617	\$ 559,475	\$ 1,388
Due from others	<u>-</u>	<u>1,074</u>	<u>-</u>	<u>1,074</u>
<b>TOTAL ASSETS</b>	<u>\$ 18,246</u>	<u>\$ 543,691</u>	<u>\$ 559,475</u>	<u>\$ 2,462</u>
<b>LIABILITIES</b>				
Due to future scholarships	\$ 2,063	\$ 9	\$ -	\$ 2,072
Due to other governmental agencies	<u>16,183</u>	<u>543,682</u>	<u>559,475</u>	<u>390</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 18,246</u>	<u>\$ 543,691</u>	<u>\$ 559,475</u>	<u>\$ 2,462</u>

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16**  
**SCHEDULE OF DISBURSEMENTS TO OTHER ENTITIES - DISTRIBUTIVE FUND**  
**June 30, 2007**

	<u><b>K.E.C.</b></u>
Career and Technical Ed Improvement	\$ 424,931
Agriculture Education	16,068
V.E. Perkins Title IIC - Secondary	<u>113,520</u>
 <b>TOTAL</b>	 <b>\$ <u>554,519</u></b>