

State of Illinois
EDWARDS, HARDIN, GALLATIN, POPE, SALINE,
WABASH, WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
FINANCIAL AUDIT

**(In Accordance with the Single Audit Act
and OMB Circular A-133)**

For the Year Ended June 30, 2011

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

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
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June 30, 2011

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EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
OFFICIALS

Regional Superintendent
(Current and during the Audit Period)

Mr. Lawrence Fillingim

Assistant Regional Superintendent
(During Audit Period, Acting Effective July 1, 2010
through December 31, 2010)

Mr. Kent Wheeler

Assistant Regional Superintendent
(During Audit Period, Acting Effective January 1, 2011
through June 30, 2011)

Mr. James Taylor

Offices are located at:

512 N. Main Street
Harrisburg, IL 62946

930 Market Street
Mount Carmel, IL 62863

Wayne County Courthouse
Fairfield, IL 62837

307 E. Cherry Street
Carmi, IL 62821

500 E. Main Street
Albion, IL 62806

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
COMPLIANCE REPORT SUMMARY

The compliance 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 on compliance and on internal controls 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	3	2
Repeated audit findings	1	0
Prior recommendations implemented or not repeated	1	2

An additional two matters, which are less than a significant deficiency or material weakness but more than inconsequential, have been reported in a Management Letter of Comments to the Regional Superintendent. In prior years, these issues may have been included as immaterial findings in the auditor's reports.

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
11-1	12a	Inadequate Internal Controls Over Financial Processes	Material Weakness
11-2	12c	Controls Over Financial Statement Preparation	Material Weakness
11-3	12e	Inadequate Internal Controls Over Compliance	Material Weakness

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
COMPLIANCE REPORT SUMMARY (Concluded)

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
11-3	12e	Inadequate Controls Over Compliance	Material Weakness

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

10-2	15	Controls Over Compliance With Laws and Regulations	
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PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

None

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an informal exit conference on October 5, 2011. Attending were Larry Fillingim, Regional Superintendent, and Michelle D. Smith, Manager, Kemper CPA Group, LLP. Responses to the recommendations were provided by Larry Fillingim, Regional Superintendent on November 17, 2011.

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 was performed by Kemper CPA Group LLP.

Based on their audit, the auditors expressed an unqualified opinion on the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20'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, the business-type activities, each major fund, and the aggregate remaining fund information of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20, as of and for the year ended June 30, 2011, which collectively comprise the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20'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, the business-type activities, each major fund, and the aggregate remaining fund information of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended June 30, 2011. The statement changed the classifications of governmental fund balances and clarified the definitions of existing fund types. The adoption of this statement had no effect on any of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's governmental funds' assets or liabilities nor was there any effect to the total amount of any of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's governmental fund balances as of and for the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 18, 2012, on our consideration of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Illinois Municipal Retirement Fund Schedule of Funding Progress and Other Post Employment Benefits Schedule of Funding Progress on pages 16a-16h, and 56-57 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 Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules 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 the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, 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.

Kemper CPA Group LLP

Certified Public Accountants and Consultants

Evansville, Indiana
January 18, 2012



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

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20, as of and for the year ended June 30, 2011, which collectively comprise the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's basic financial statements and have issued our report thereon dated January 18, 2012. 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

Management of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20'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, but not for the purpose of expressing an opinion on the effectiveness of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in findings 11-1, 11-2, and 11-3 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20'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 item 11-3.

We also noted certain matters which we have reported to management of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 in a separate letter dated January 18, 2012.

Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20'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 entity, 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.

Kemper CPA Group LLP

Certified Public Accountants and Consultants

Evansville, Indiana
January 18, 2012



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's major federal programs for the year ended June 30, 2011. The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20'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 Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's management. Our responsibility is to express an opinion on the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20'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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20'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 Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's compliance with those requirements.

In our opinion, the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 11-3.

Internal Control Over Compliance

The management of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 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 Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 11-3 to be a material weakness.

Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's responses and accordingly, we express no opinion on the responses.

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 entity, 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.

Kemper CPA Group LLP

Certified Public Accountants and Consultants
Evansville, Indiana
January 18, 2012

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2011

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
● Material weakness(es) identified?	Yes
● Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
● Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
● Material weakness(es) identified?	Yes
● Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
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 OMB Circular A-133, Section 510(a)?	Yes

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.173A	Federal Special Education- Preschool Discretionary
84.389A	ARRA Title I School Improvement & Accountability

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? No

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding No. 11-1– Inadequate Internal Control over Financial Processes (Partial Repeat of Finding 10-1)

Criteria/specific requirement:

The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over receipt and disbursement processes to prevent errors and fraud.

Condition:

We noted the following weaknesses in the Regional Office's internal controls:

- Harrisburg Project receipts are received by a person who is not independent of the general ledger entry process;
- The bookkeeper has access to the cash receipts and also records cash receipts in the general ledger;
- One instance in which the purchase order and requisition were issued after the product invoice date;
- One instance of insufficient documentation to support the disbursement;
- One instance in which the employee's annual salary and benefits had not been approved by the Regional Superintendent; and
- Three of 10 employees received an increase in gross pay for life and dental/vision insurance rate increases, which is contrary to the Regional Office's policy, and these increases of pay were not being properly approved by the Regional Superintendent. No documentation of the date of the approval was noted.

Effect:

The Regional Office does not have adequate controls in place over receipts, general disbursements, and payroll disbursements. There is no dual review or reconciliation of the cash receipts that the Harrisburg Project receives, which gives opportunity for theft or error. Individuals with unrestricted access to cash accounts are receiving payments and posting them into the general ledger system with no segregation of the cash receipt process duties. Unauthorized payroll and changes in payroll rates could result in employees receiving incorrect payment for their services. Funds obligated, with no evidence of an intent to purchase, have been approved during the period that the funds are available. Further there was no supporting documentation for an expenditure which could lead to unauthorized purchases and overpayment of expenses.

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 11-1– Inadequate Internal Control over Financial Processes (Partial Repeat of Finding 10-1) (Concluded)

Cause:

The Regional Office of Education #20 does not have proper internal control procedures over the receipt, general disbursement, and payroll disbursement process.

Recommendation:

Receipts for all areas of the Regional Office should be opened, restrictively endorsed, and listed by a person with no access to the bank accounts, and independent of the general ledger entry function.

Purchase orders and/or requisition forms should be completed and authorized before an item is ordered, invoiced, and payment is disbursed. All invoices and receipts should be maintained with the purchase order or requisition form to support the expenditure.

The Regional Superintendent should authorize, by signature and date, all changes in salary. This can be accomplished with a new contract or a pay increase authorization signed by the Regional Superintendent.

Management's Response:

The Regional Office agrees that recordkeeping staff was the first to handle checks received for one fund before any other staff independent of recording information in the accounting program. Effective October 10, all receipts are recorded by a person that does not have access to the general ledger.

The Regional Office agrees that our purchase order process needs improvement regarding the timing of purchase order preparation and approval, and include supporting documentation. Implementation began on October 10.

The Regional Office agrees that authorization and approval of any adjustments to staff salaries need to be documented by signature and dated by Regional Superintendent. Implementation began on October 10.

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 11-2– Controls Over Financial Statement Preparation

Criteria/Specific Requirement:

The Regional Office of Education #20 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 #20 does not have sufficient internal controls over the financial reporting process. 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 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:

- Numerous adjusting entries were required to present the financial statements in accordance with generally accepted accounting principles.
- A restricted fund was found to be combined with a proprietary fund.
- Material amounts of cash remained unrecorded at year end.
- Receipts are not recorded as received, or periodically throughout the year; instead they are recorded subsequent to year end in preparation for the annual audit.
- The fixed asset listing incorrectly listed some assets that had already been fully depreciated as having current year depreciation expense.
- An expense was incorrectly recorded twice to a federal fund in the general ledger.

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:

The Regional Office's bookkeeping staff does not enter receipts, receivables, and payables until they prepare for the annual audit at year end which does not allow time for analysis and review before submission to the auditors.

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 11-2– Controls Over Financial Statement Preparation (Concluded)

Recommendation:

As part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education #20 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 acknowledges that timely recording of receipts, receivables, and payables is a necessary part of accurate accounting, reporting, and detection of problems or errors. Every attempt is being made to get current with all aspects of data entry.

The Regional Office agrees that an error in judgment was made when the restricted fund was combined with a proprietary fund. The Regional Office will make certain that all grants and funding will be recorded with transparency.

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 11-3– Inadequate Internal Controls over Compliance

Federal Program Name: Federal Special Education – Pre-School Discretionary
Project #'s: 10-4605-00 and 11-4605-00
CFDA #: 84.173
Passed through: Illinois State Board of Education
Federal Agency: U.S. Department of Education

Federal Program Name: American Recovery and Reinvestment Act of 2009 (ARRA)
Education Jobs Fund
Project #'s: 11-4880-92 and 11-4880-93
CFDA #: 84.410
Passed through: Illinois State Board of Education
Federal Agency: U.S. Department of Education

Criteria/Specific Requirement:

As a recipient of federal, State, and local funds from various grantor agencies, the Regional Office must incorporate certain procedures into their operations in order to comply with the grant agreements with these entities. The Regional Office is required to accurately spend funding in accordance with budgets submitted to grantors and accurately submit expenditure reports timely. In addition, funding received under ARRA is required to be separately tracked from other funding sources.

Condition:

- A. Federal Special Education – Pre-School Discretionary – The Regional Office does not have a process in place to verify that covered transactions are not entered into with contracted parties that are suspended or debarred, nor does the Regional Office have a procurement policy in place.
- B. Federal program – ARRA Education Jobs Fund – This fund activity was combined with General State Aid Sec. 18-8 activity and should have been separately tracked in the general ledger.

Questioned Costs:

- A. None
- B. None

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS (Conclusion)

Finding No. 11-3– Inadequate Internal Controls over Compliance (Conclusion)

Context:

- A. Recipients of federal grant monies are required to have a procurement policy in place. Further, the recipient is required to ensure the entities they do business with are not included on the Excluded Party Listing System.
- B. Under federal regulations all ARRA funds are to be accounted for separately.

Effect:

- A. The Regional Office could have unknowingly contracted with suspended or debarred parties for goods and services. Additionally, the Regional Office did not allow full and open competition for the contract of goods and services via the procurement provisions in the A-102 Common Rule and OMB Circular A-110.
- B. The Regional Office did not transparently track the ARRA funding separately from other funds.

Cause:

- A. The Regional Office does not have internal controls in place that require the Program Director to follow the procurement, suspension, and debarment requirements of this program.
- B. The Regional Office was not aware of the reporting requirements of ARRA funding.

Recommendation:

- A. The Regional Office should implement a documented procurement process which allows for full and open competition. Additionally, before entering into a contract, the Regional Office should verify that the parties are not listed as suspended or debarred on the Excluded Party List System.
- B. The Regional Office should separately track and report any ARRA funding.

Management Response:

The Regional Office has initiated steps to follow the procurement, suspension, and debarment requirements for federal funds. We also now realize that the term “reimbursement model” does not remove the need to report grant funding and expenditures in a separate fund.

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

INSTANCES OF NONCOMPLIANCE:

Finding No. 11-3 – Inadequate Internal Controls over Compliance
(details on pages 12e-12f)

MATERIAL WEAKNESSES:

Finding No. 11-3 – Inadequate Internal Controls over Compliance
(details on pages 12e-12f)

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
JUNE 30, 2011

Corrective Action Plan

Finding No. 11-1– Inadequate Internal Control over Financial Processes (Partial Repeat of Finding 10-1)

Condition:

We noted the following weaknesses in the Regional Office's internal controls:

- Harrisburg Project receipts are received by a person who is not independent of the general ledger entry process;
- The bookkeeper has access to the cash receipts and also records cash receipts in the general ledger;
- One instance in which the purchase order and requisition were issued after the product invoice date;
- One instance of insufficient documentation to support the disbursement;
- One instance in which the employee's annual salary and benefits had not been approved by the Regional Superintendent; and
- Three of 10 employees received an increase in gross pay for life and dental/visions insurance rate increases, which is contrary to the Regional Office's policy, and these increases of pay were not being properly approved by the Regional Superintendent. No documentation of the date of the approval was noted.

Plan:

The Regional Office agrees that recordkeeping staff was the first to handle checks received for one fund before any other staff independent of recording information in the accounting program. Effective October 10, all receipts are recorded by a person that does not have access to the general ledger.

The Regional Office agrees that our purchase order process needs improvement regarding the timing of purchase order preparation and approval, and include supporting documentation. Implementation began on October 10.

The Regional Office agrees that authorization and approval of any adjustments to staff salaries need to be documented by signature and dated by Regional Superintendent. Implementation began on October 10.

Anticipated Date of Completion: Immediately upon learning of oversight

Name of Contact Person:

Honorable Larry Fillingim, Regional Superintendent of Schools

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
JUNE 30, 2011

Corrective Action Plan (Continued)

Finding No. 11-2– Controls Over Financial Statement Preparation

Condition:

The Regional Office of Education #20 does not have sufficient internal controls over the financial reporting process. 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 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:

- Numerous adjusting entries were required to present the financial statements in accordance with generally accepted accounting principles.
- A restricted fund was found to be combined with a proprietary fund.
- Material amounts of cash remained unrecorded at year end.
- Receipts are not recorded as received, or periodically throughout the year; instead they are recorded subsequent to year end in preparation for the annual audit.
- The fixed asset listing incorrectly listed some assets that had already been fully depreciated as having current year depreciation expense.
- An expense was incorrectly recorded twice to a federal fund in the general ledger.

Plan:

The Regional Office acknowledges that timely recording of receipts, receivables, and payables is a necessary part of accurate accounting, reporting, and detection of problems or errors. Every attempt is being made to get current with all aspects of data entry.

The Regional Office agrees that an error in judgment was made when the restricted fund was combined with a proprietary fund. The Regional Office will make certain that all grants and funding will be recorded with transparency.

Anticipated Date of Completion: Immediately upon learning of oversight

Name of Contact Person:

Honorable Larry Fillingim, Regional Superintendent of Schools

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
JUNE 30, 2011

Corrective Action Plan (Concluded)

Finding No. 11-3– Inadequate Internal Controls over Compliance

Condition:

- A. Federal Special Education – Pre-School Discretionary – The Regional Office does not have a process in place to verify that covered transactions are not entered into with contracted parties that are suspended or debarred, nor does the Regional Office have a procurement policy in place.
- B. Federal program – ARRA Education Jobs Fund – This fund activity was combined with General State Aid Sec. 18-8 activity and should have been separately tracked in the general ledger.

Plan:

The Regional Office has initiated steps to follow the procurement, suspension, and debarment requirements for federal funds. We also now realize that the term “reimbursement model” does not remove the need to report grant funding and expenditures in a separate fund.

Anticipated Date of Completion: Immediately upon learning of oversight

Name of Contact Person:

Honorable Larry Fillingim, Regional Superintendent of Schools

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
10-1	Internal Control over Payroll	Partially Repeated as Finding 11-1
10-2	Controls Over Compliance With Laws and Regulations	Corrected

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 (ROE #20) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2011 and 2010. We encourage readers to consider this information in conjunction with the ROE #20's financial statements, which follow.

During fiscal year 2011 the Regional Office of Education #20 implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which required certain programs and funds to be reclassified and the restatement of beginning fund balances as detailed in Note 15 to the financial statements. Because of these reclassifications the fund analysis is not comparable between fiscal year 2010 and fiscal year 2011. In addition, in fiscal year 2011 the Principal Mentoring program that was previously reported as part of the proprietary fund was restated to be presented as part of the Education Fund.

FINANCIAL HIGHLIGHTS

- General Fund revenues were \$618,772 in fiscal year 2010 and increased to \$1,137,003 in fiscal year 2011, while General Fund expenditures were \$705,776 in fiscal year 2010 and increased to \$1,138,025 in fiscal year 2011.
- The increase in General Fund revenues was attributable to an increase in State revenue payments in fiscal year 2011. The increase in General Fund expenditures for fiscal year 2011 was due primarily to an increase in salaries and benefits, purchased services, and supplies and materials.
- Special revenue fund revenues were \$2,004,384 in fiscal year 2010 and decreased to \$1,648,622 in fiscal year 2011, while special revenue fund expenditures were \$2,044,308 in fiscal year 2010 and decreased to \$1,597,842 in fiscal year 2011.
- The decrease in Special revenue fund revenues from fiscal year 2010 to fiscal year 2011 occurred because of the decrease of State sources in the Education Fund. The decrease in Special revenue fund expenditures from fiscal year 2010 to fiscal year 2011 was due primarily to a decrease in Education Fund salaries and benefits, supplies and materials, and payments to other governments.
- Proprietary fund revenues were \$80,067 in fiscal year 2010 and decreased to \$40,440 in fiscal year 2011, while Proprietary fund expenditures were \$89,219 in fiscal year 2010 and decreased to \$41,195 in fiscal year 2011.
- The decrease in Proprietary fund revenues from fiscal year 2010 to fiscal year 2011 occurred because of the decrease in Local revenue sources (workshops). The decrease in Proprietary fund expenditures from fiscal year 2010 to fiscal year 2011 was due primarily to a decrease in salaries and benefits and a decrease in purchased services due to decreased workshops.

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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 #20'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 #20 as a whole and present an overall view of the ROE #20'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 #20'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.
- Required Supplementary information further explains and supports the financial statements, and supplementary information provides detailed information about the non-major funds.

REPORTING THE REGIONAL OFFICE OF EDUCATION #20 AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the ROE #20 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all the ROE #20'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 #20's net assets and how they have changed. Net assets – the difference between the ROE #20's assets and liabilities – are one way to measure the ROE #20's financial health or position.

- Over time, increases or decreases in the ROE #20's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the ROE #20's overall health, additional non-financial factors, need to be considered.

In the government-wide financial statements, the ROE #20's activities consist of governmental activities and business-type activities.

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

REPORTING THE REGIONAL OFFICE OF EDUCATION #20 AS A WHOLE (Concluded)

- *Governmental activities:* Most of the ROE #20's basic services are included here, such as regular and special education instruction, student and instructional staff support services and administration. State and Federal grants, local school districts, and State aid finance most of these activities.
- *Business-type activities:* The ROE #20 charges fees to help cover the costs of certain services and workshops it provides and records this activity in the Proprietary fund.

Governmental Fund Financial Statements

The governmental fund financial statements provide detailed information about the ROE #20's funds, focusing on its most significant or "major" funds – not the ROE #20 as a whole. Funds are accounting devices the ROE #20 uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law or by bond covenants. The ROE #20 establishes other funds to control and manage money for particular purposes.

Governmental funds account for most of the ROE #20's basic services. These focus on how cash and other financial assets that can readily be converted to cash flow in and out and 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 the ROE #20's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation between the government-wide statements and the governmental fund statements follow each of the related governmental fund statements. The ROE #20's governmental funds include the General Fund and the Special Revenue Funds.

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

Proprietary Fund Financial Statements

Proprietary funds are those in which revenues and expenses related to services provided to organizations inside the ROE #20 on a cost reimbursement basis are reported. The ROE #20 reports the Local Workshop fund as a nonmajor proprietary fund. The Local Workshop fund accounts for the receipts and expenses pertaining to teacher meetings and workshops of a professional nature.

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and nonmajor funds aggregated.

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties ROE #20's net assets at June 30, 2011 and 2010 totaled \$186,180 and \$219,762 respectively. The analysis that follows provides a summary of the ROE #20's net assets at June 30, 2011 and 2010 for its governmental and business-type activities.

CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current Assets	\$ 425,673	\$ 514,805	\$ 52,326	\$ 41,022	\$ 477,999	\$ 555,827
Capital Assets	22,247	43,943	-	580	22,247	44,523
Total Assets	447,920	558,748	52,326	41,602	500,246	600,350
Current Liabilities	244,388	329,018	30,107	6,374	274,495	335,392
Noncurrent Liabilities	39,571	45,196	-	-	39,571	45,196
Total Liabilities	283,959	374,214	30,107	6,374	314,066	380,588
Net Assets						
Capital Assets net	22,247	43,943	-	580	22,247	44,523
Restricted for educational purposes	96,458	31,261	-	-	96,458	31,261
Unrestricted	45,256	109,330	22,219	34,648	67,475	143,978
Total Net Assets	\$ 163,961	\$ 184,534	\$ 22,219	\$ 35,228	\$ 186,180	\$ 219,762

The ROE's combined net assets decreased by \$33,582 in FY11 and decreased by \$57,649 in FY10. The decrease occurred primarily as a result of expenditures exceeding funding in FY11. The decrease in FY10 occurred primarily as a result of decrease in State funding and an increase in total expenditures during the year ended June 30, 2010.

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total Primary Government		% Change 2011-2010
	2011	2010	2011	2010	2011	2010	
Revenues:							
Program revenues:							
Operating Grants/Contributions	\$ 1,782,936	\$ 1,802,337	\$ -	\$ -	\$ 1,782,936	\$ 1,802,337	-1.08%
Charges for Services	-	-	40,440	80,067	40,440	80,067	-49.49%
General Revenues:							
Local Sources	323,777	324,300	-	-	323,777	324,300	-0.16%
State Sources	307,565	215,102	-	-	307,565	215,102	42.99%
Federal Sources	-	60,310	-	-	-	60,310	-100.00%
On-Behalf payments - State	304,178	312,801	-	-	304,178	312,801	-2.76%
Interest	368	780	287	10	655	790	-17.09%
Transfers	9,136	783	(9,136)	(783)	-	-	-
Total Revenues	<u>2,727,960</u>	<u>2,716,413</u>	<u>31,591</u>	<u>79,294</u>	<u>2,759,551</u>	<u>2,795,707</u>	<u>-1.29%</u>
Expenses:							
Instructional services:							
Salaries and benefits	1,706,714	1,706,328	-	-	1,706,714	1,706,328	0.02%
Purchased services	580,749	466,813	-	-	580,749	466,813	24.41%
Supplies and materials	99,198	106,566	-	-	99,198	106,566	-6.91%
Payments to other governments	29,122	132,170	-	-	29,122	132,170	-77.97%
Capital outlay	2,678	898	-	-	2,678	898	198.22%
Other objects	2,980	5,836	-	-	2,980	5,836	-48.94%
Depreciation	23,101	32,725	-	-	23,101	32,725	-29.41%
Interest expense	3,218	-	-	-	3,218	-	100.00%
Administrative expenses:							
On-behalf payments	304,178	312,801	-	-	304,178	312,801	-2.76%
Business-type expenses:							
Instructional	-	-	41,195	89,219	41,195	89,219	-53.83%
Total Expenses	<u>2,751,938</u>	<u>2,764,137</u>	<u>41,195</u>	<u>89,219</u>	<u>2,793,133</u>	<u>2,853,356</u>	<u>-2.11%</u>
Decrease in Net Assets	(23,978)	(47,724)	(9,604)	(9,925)	(33,582)	(57,649)	
Net Assets – Beginning, As restated	<u>187,939</u>	<u>232,258</u>	<u>31,823</u>	<u>45,153</u>	<u>219,762</u>	<u>277,411</u>	<u>-20.78%</u>
Net Assets – Ending	<u>\$ 163,961</u>	<u>\$ 184,534</u>	<u>\$ 22,219</u>	<u>\$ 35,228</u>	<u>\$ 186,180</u>	<u>\$ 219,762</u>	<u>-15.28%</u>

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

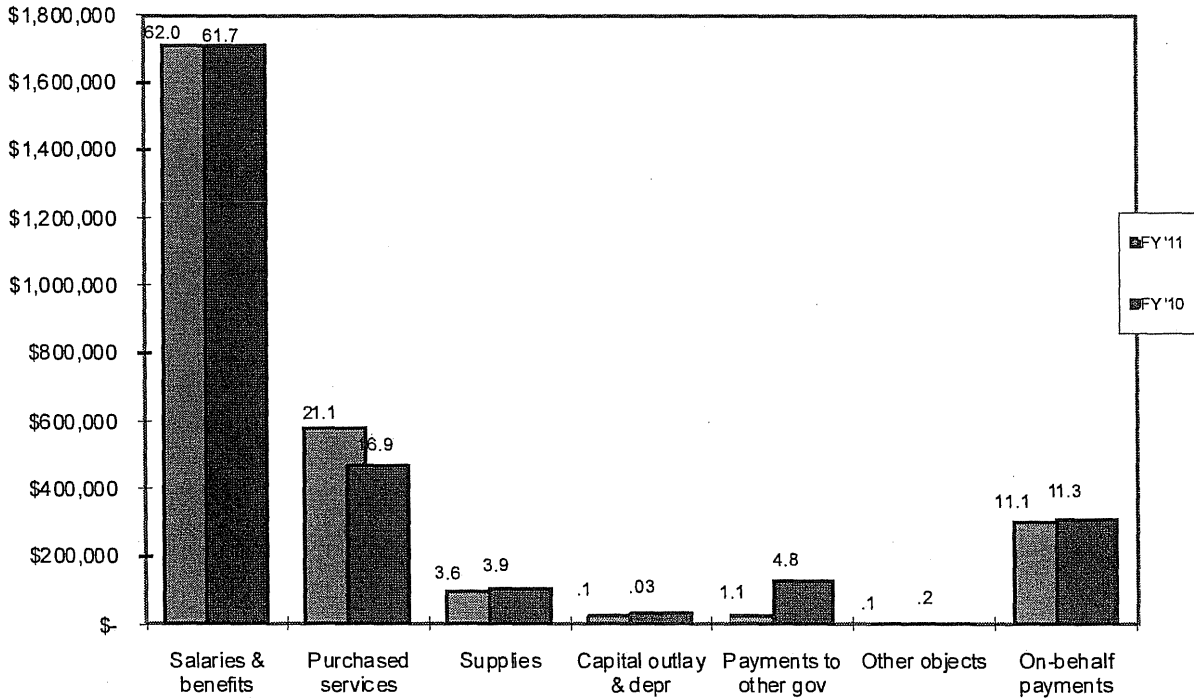
GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concluded)

The following analysis compares total revenues for the years ended June 30:

	2011	2010
Total program revenues	\$ 1,823,376	\$ 1,882,404
Total general revenues	<u>936,175</u>	<u>913,303</u>
 Total revenues	 <u>\$ 2,759,551</u>	 <u>\$ 2,795,707</u>

Operating grants and contributions from local, State, and federal sources account for a majority of the total revenue. The ROE's expenses primarily relate to instructional services, which account for 89% of the total governmental activities expenses.

Governmental Activities Expenses



EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Governmental Activities

The analysis of changes in net assets reflects a decrease of \$23,978 in FY11 and a decrease of \$47,724 in FY10.

FINANCIAL ANALYSIS OF THE REGIONAL OFFICE OF EDUCATION FUNDS

As previously noted, ROE #20 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The ROE #20's governmental funds reported combined fund balances of \$156,760 in FY11 and \$94,093 in FY10. The primary reason for the increase in combined fund balance in FY11 was due to decrease in payments to other governments, and increase in State funding.

Governmental Fund Highlights

- The General Fund balance was \$22,990 in FY10 restated to \$62,545 (See note 15) and decreased to \$61,631 in FY11. The decrease in FY11 was attributable to revenues received were less than expenditures.
- The Education Fund balance was \$20,771 in FY10 restated to \$(15,379) (See note 15) and increased to \$2,517 in FY11. The increase in FY11 was attributable to an increase in federal funding for education.
- The Harrisburg Project Fund balance was \$5,748 in FY10 and increased to \$56,943 in FY11. This increase in FY11 was attributable to increased State funding and decreased purchases of supplies and capital outlay.
- The Institute Fund balance was \$31,261 in FY10 and decreased to \$28,431 in FY11. This decrease in FY11 was attributable to revenues received were less than expenditures.

Business-Type Fund Highlights

- The Local Workshop Fund balance was \$35,228 in FY10 restated to \$31,823 (See note 15) and decreased to \$27,357 in FY11. The decrease was attributable to revenues were less than expenditures and existing cash being spent.

BUDGETARY HIGHLIGHTS

The ROE #20 annually adopts budgets for certain grants, which are submitted to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval.

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

BUDGETARY HIGHLIGHTS (CONCLUDED)

The budget may be amended during the year utilizing procedures prescribed by the State Board. Over the course of the year, the ROE #20 amended several of its grant budgets to reflect adjustments in revenue and expenditures associated with changes in funding from the Federal and State sources or for additional services needed and provided to the local school districts. A schedule showing the original and final grant budget amounts compared to the ROE #20's actual financial activity is included in the supplementary information section of this report.

CAPITAL ASSETS

Capital assets of the ROE #20 include office equipment, computers, audio-visual equipment, and office furniture. The ROE #20 maintains an inventory of capital assets, which have been accumulated over time. The decrease for FY11 was \$22,276 and came as a result of less grant money available to purchase equipment. More detailed information about capital assets is available in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

- A decrease is expected in the number of students being served by the local school districts.
- Funding for FY12 is expected to be comparable to FY11. Due to the economic condition of the State of Illinois, funding payments have been delayed on State grants.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Regional Offices' citizens, taxpayers, and customers with a general overview of the finances and to demonstrate the accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Regional Superintendent of the Regional Office of Education #20, 512 North Main Street, Harrisburg, Illinois 62946.

BASIC FINANCIAL STATEMENTS

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 219,865	\$ 32,052	\$ 251,917
Due (to) from other funds	(20,274)	20,274	-
Due from other governments:			
Local	34,069	-	34,069
State	150,302	-	150,302
Federal	41,711	-	41,711
Total Current Assets	425,673	52,326	477,999
Noncurrent Assets:			
Capital assets, net of depreciation	22,247	-	22,247
TOTAL ASSETS	447,920	52,326	500,246
LIABILITIES			
Current Liabilities:			
Accounts payable	47,217	3,018	50,235
Salaries and benefits payable	52,154	-	52,154
Due to other governments:			
Local	1,106	27,089	28,195
State	65	-	65
Loans payable	137,000	-	137,000
Deferred revenue	6,846	-	6,846
Total Current Liabilities	244,388	30,107	274,495
Noncurrent Liabilities:			
Liability for compensated absences	39,571	-	39,571
Total Noncurrent Liabilities	39,571	-	39,571
TOTAL LIABILITIES	283,959	30,107	314,066
NET ASSETS			
Invested in capital assets	22,247	-	22,247
Restricted for educational purposes	96,458	-	96,458
Unrestricted	45,256	22,219	67,475
TOTAL NET ASSETS	\$ 163,961	\$ 22,219	\$ 186,180

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

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instructional Services:						
Salaries and benefits	\$ 1,706,714	\$ -	\$ 1,267,833	\$ (438,881)	\$ -	\$ (438,881)
Purchased services	580,749	-	446,403	(134,346)	-	(134,346)
Supplies and materials	99,198	-	48,416	(50,782)	-	(50,782)
Other objects	2,980	-	-	(2,980)	-	(2,980)
Depreciation	23,101	-	-	(23,101)	-	(23,101)
Capital outlay	2,678	-	4,083	1,405	-	1,405
Payments to other governments	29,122	-	16,201	(12,921)	-	(12,921)
Administrative:						
On-behalf payments - State	304,178	-	-	(304,178)	-	(304,178)
Total Governmental Activities	<u>2,748,720</u>	<u>-</u>	<u>1,782,936</u>	<u>(965,784)</u>	<u>-</u>	<u>(965,784)</u>
Business-type Activities:						
Other	41,195	40,440	-	-	(755)	(755)
Total Business-type Activities	<u>41,195</u>	<u>40,440</u>	<u>-</u>	<u>-</u>	<u>(755)</u>	<u>(755)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,789,915</u>	<u>\$ 40,440</u>	<u>\$ 1,782,936</u>	<u>(965,784)</u>	<u>(755)</u>	<u>(966,539)</u>
GENERAL REVENUES:						
Local sources				323,777	-	323,777
State sources				307,565	-	307,565
On-behalf payments - State				304,178	-	304,178
Investment earnings				368	287	655
Interest expense				(3,218)	-	(3,218)
Transfers				9,136	(9,136)	-
Total General Revenues				<u>941,806</u>	<u>(8,849)</u>	<u>932,957</u>
CHANGE IN NET ASSETS				<u>(23,978)</u>	<u>(9,604)</u>	<u>(33,582)</u>
NET ASSETS - BEGINNING, RESTATED (See Note 15)				<u>187,939</u>	<u>31,823</u>	<u>219,762</u>
NET ASSETS - ENDING				<u>\$ 163,961</u>	<u>\$ 22,219</u>	<u>\$ 186,180</u>

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

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Education Fund	Harrisburg Project	Institute Fund	Other Nonmajor Funds	Eliminations	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 137,501	\$ 41,325	\$ 13,419	\$ 17,044	\$ 10,576	\$ -	\$ 219,865
Due from other funds	225,661	-	-	11,975	2	(237,638)	-
Due from other governments:							
Local	34,069	-	-	-	-	-	34,069
State	72,094	27,146	51,062	-	-	-	150,302
Federal	-	41,711	-	-	-	-	41,711
TOTAL ASSETS	\$ 469,325	\$ 110,182	\$ 64,481	\$ 29,019	\$ 10,578	\$ (237,638)	\$ 445,947
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 9,705	\$ 32,094	\$ 2,364	\$ 310	\$ 2,744	\$ -	\$ 47,217
Salaries and benefits payable	37,025	15,129	-	-	-	-	52,154
Due to other funds	213,514	38,350	5,174	278	596	(237,638)	20,274
Due to other governments:							
Local	-	1,106	-	-	-	-	1,106
State	65	-	-	-	-	-	65
Loans payable	137,000	-	-	-	-	-	137,000
Deferred revenue	10,385	20,986	-	-	-	-	31,371
TOTAL LIABILITIES	407,694	107,665	7,538	588	3,340	(237,638)	289,187
Fund Balance (Deficit):							
Restricted	-	3,263	56,943	28,431	7,821	-	96,458
Assigned	101,826	-	-	-	-	-	101,826
Unassigned	(40,195)	(746)	-	-	(583)	-	(41,524)
Total Fund Balance (Deficit)	61,631	2,517	56,943	28,431	7,238	-	156,760
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 469,325	\$ 110,182	\$ 64,481	\$ 29,019	\$ 10,578	\$ (237,638)	\$ 445,947

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

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE
COUNTIES
REGIONAL OFFICE OF EDUCATION #20
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2011

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 156,760
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(39,571)
Revenues on the Statement of Activities that do not provide current financial resources, and are not reported as revenues in the funds.	24,525
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>22,247</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 163,961</u>

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

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Education Fund	Harrisburg Project	Institute Fund	Other Nonmajor Funds	Total Governmental Funds
REVENUES						
Local sources	\$ 258,405	\$ -	\$ 12,840	\$ 29,578	\$ 12,604	\$ 313,427
State sources	574,420	118,821	802,200	-	1,183	1,496,624
Federal sources	-	671,396	-	-	-	671,396
On-behalf payments - State	304,178	-	-	-	-	304,178
Total Revenues	<u>1,137,003</u>	<u>790,217</u>	<u>815,040</u>	<u>29,578</u>	<u>13,787</u>	<u>2,785,625</u>
EXPENDITURES						
Instructional Services						
Salaries and benefits	641,631	397,055	661,136	1,077	11,440	1,712,339
Purchased services	125,432	332,446	89,125	27,406	6,340	580,749
Supplies and materials	51,206	35,567	10,222	282	1,921	99,198
Other objects	2,780	-	-	25	175	2,980
Payments to other governments	9,590	15,811	-	3,721	-	29,122
On-behalf payments - State	304,178	-	-	-	-	304,178
Capital outlay	-	678	3,405	-	-	4,083
Debt service:						
Interest	3,208	10	-	-	-	3,218
Total Expenditures	<u>1,138,025</u>	<u>781,567</u>	<u>763,888</u>	<u>32,511</u>	<u>19,876</u>	<u>2,735,867</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,022)</u>	<u>8,650</u>	<u>51,152</u>	<u>(2,933)</u>	<u>(6,089)</u>	<u>49,758</u>
OTHER FINANCING SOURCES (USES)						
Transfer in	-	9,136	-	-	-	9,136
Interest	108	110	43	103	4	368
Total Other Financing Sources (Uses)	<u>108</u>	<u>9,246</u>	<u>43</u>	<u>103</u>	<u>4</u>	<u>9,504</u>
NET CHANGE IN FUND BALANCES	(914)	17,896	51,195	(2,830)	(6,085)	59,262
FUND BALANCES (DEFICIT) - BEGINNING, RESTATED (See note 15)	<u>62,545</u>	<u>(15,379)</u>	<u>5,748</u>	<u>31,261</u>	<u>13,323</u>	<u>97,498</u>
FUND BALANCES - ENDING	<u>\$ 61,631</u>	<u>\$ 2,517</u>	<u>\$ 56,943</u>	<u>\$ 28,431</u>	<u>\$ 7,238</u>	<u>\$ 156,760</u>

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

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
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, 2011

NET CHANGE IN FUND BALANCES		\$ 59,262
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Capital outlay	\$ 1,405	
Depreciation expense	<u>(23,101)</u>	(21,696)
<p>Revenues reported in the Statement of Activities in the prior year that did not provide current financial resources, and were reported as revenues in the funds.</p>		
Deferred revenue		
Local sources	\$ (8,711)	
State sources	(81,887)	
Federal sources	<u>(1,096)</u>	(91,694)
<p>Revenues in the Statement of Activities that do not provide current financial resources, and are not reported as revenues in the funds.</p>		
Deferred revenue		
Local sources	\$ 10,350	
State sources	<u>14,175</u>	24,525
<p>Certain expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		<u>5,625</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ (23,978)</u>

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

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2011

	Business-Type Activities - Enterprise Funds		
	Local Workshops	Other Nonmajor Proprietary Fund- Lab School Reservations	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 3,101	\$ 28,951	\$ 32,052
Due from other funds	27,453	31,000	58,453
TOTAL ASSETS	30,554	59,951	90,505
LIABILITIES			
Current Liabilities:			
Accounts payable	3,018	-	3,018
Due to other funds	179	38,000	38,179
Due to other governments			
Local	-	27,089	27,089
TOTAL LIABILITIES	3,197	65,089	68,286
NET ASSETS			
Unrestricted	27,357	(5,138)	22,219
TOTAL NET ASSETS	\$ 27,357	\$ (5,138)	\$ 22,219

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

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds		Totals
	Local Workshops	Other Nonmajor Proprietary Fund- Lab School Reservations	
OPERATING REVENUES			
Local sources	\$ 40,440	\$ -	\$ 40,440
Total Operating Revenues	<u>40,440</u>	<u>-</u>	<u>40,440</u>
OPERATING EXPENSES			
Salaries and benefits	932	-	932
Purchased services	20,754	103	20,857
Supplies and materials	16,851	-	16,851
Depreciation	580	-	580
Payments to other governments	1,975	-	1,975
Total Operating Expenses	<u>41,092</u>	<u>103</u>	<u>41,195</u>
OPERATING INCOME (LOSS)	<u>(652)</u>	<u>(103)</u>	<u>(755)</u>
NONOPERATING SOURCES (USES)			
Transfer out	(3,819)	(5,317)	(9,136)
Interest	5	282	287
Total Nonoperating Revenue	<u>(3,814)</u>	<u>(5,035)</u>	<u>(8,849)</u>
CHANGE IN NET ASSETS	(4,466)	(5,138)	(9,604)
TOTAL NET ASSETS - BEGINNING, RESTATED (See Note 15)	<u>31,823</u>	<u>-</u>	<u>31,823</u>
TOTAL NET ASSETS - ENDING	<u>\$ 27,357</u>	<u>\$ (5,138)</u>	<u>\$ 22,219</u>

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

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds		Totals
	Local Workshops	Other Nonmajor Proprietary Fund- Lab School Reservations	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 40,503	\$ -	\$ 40,503
Payments to suppliers and providers of goods and services	(36,862)	(103)	(36,965)
Payments to employees	(932)	-	(932)
Net Cash Provided By (Used for) Operating Activities	<u>2,709</u>	<u>(103)</u>	<u>2,606</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest	5	282	287
Net Cash Provided by (Used for) Investing Activities	<u>5</u>	<u>282</u>	<u>287</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from other governments	-	27,089	27,089
Proceeds from other funds	-	38,000	38,000
Payments to other funds	(8,537)	(36,317)	(44,854)
Net Cash Provided By (Used for) Noncapital Financing Activities	<u>(8,537)</u>	<u>28,772</u>	<u>20,235</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,823)	28,951	23,128
CASH AND CASH EQUIVALENTS - BEGINNING	8,924	-	8,924
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 3,101</u>	<u>\$ 28,951</u>	<u>\$ 32,052</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income (loss)	\$ (652)	\$ (103)	\$ (755)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	580	-	580
Change in assets and liabilities:			
(Decrease) in accounts payable	2,718	-	2,718
Increase in receivable	63	-	63
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 2,709</u>	<u>\$ (103)</u>	<u>\$ 2,606</u>

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

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

In 2011, Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 implemented Governmental Accounting Standards Board (GASB) Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, GASB Statement No. 59, *Financial Instruments Omnibus*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 implemented these standards during the current year; however, GASB Statements No. 59 and 62 had no impact on the financial statements. The implementation of GASB Statement No. 54 changed fund balance reporting for governmental funds by adding some additional fund balance classifications, clarifying governmental fund type definitions, and providing some additional disclosures on how fund balance constraints are imposed and may be modified or eliminated.

A. DATE OF MANAGEMENT'S REVIEW

The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 has evaluated subsequent events through January 18, 2012, the date which the financial statements were available to be issued.

B. FINANCIAL REPORTING ENTITY

The Regional Superintendent is charged with responsibility for township fund lands; registration of the names of applicants for scholarships to State controlled universities; examinations and related duties; visitation of public schools; direction of teachers and school officers; to serve as the official advisor and assistant of school officers and teachers; to conduct teacher institutes as well as to aid and encourage the formation of other teacher meetings and assist in their management; evaluate the schools in the region; examine evidence of indebtedness; file and keep the returns of elections required to be returned to the Regional Superintendent's office; and file and keep the reports and statements returned by school treasurers and trustees.

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 Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FINANCIAL REPORTING ENTITY (Concluded)

Counties Regional Office of Education #20's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

The Regional Superintendent is responsible for inspection and approval or rejection of school treasurers' 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 the districts in the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20, 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, 2011, the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20. Such activities are reported as a single special revenue fund (Education Fund).

C. SCOPE OF THE REPORTING ENTITY

The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's reporting entity includes all related organizations for which they exercise oversight responsibility.

The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20, including districts or joint agreements which serve pupils from numerous regions, should be included in its financial

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SCOPE OF THE REPORTING ENTITY (Concluded)

reporting entity. The criteria include, but are not limited to, whether the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 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 Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 does not control the assets, operations, or management of the districts or joint agreements. In addition, the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 is not aware of any entity, which would exercise such oversight as to result in the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 being considered a component unit of the entity.

D. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's activities with most of the interfund activities removed. Governmental activities include programs supported primarily by state and federal grants and other intergovernmental revenues. The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 has two business-type activities that rely on fees and charges for support.

The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present a summary of governmental and business-type activities for the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 accompanied by a total column.

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Concluded)

These statements are presented on an “economic resources” measurement focus as prescribed by GASB Statement No. 34. All of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20’s assets and liabilities, including capital assets, are included in the accompanying Statement of Net Assets. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, such as, payables, receivables and transfers. Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Funds Balance Sheet and Proprietary Funds Statement of Net Assets and as other resources and other uses on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and on the Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds and governmental funds and internal service funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and business-type funds remain as due to/due from on the government-wide financial statements.

All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The purpose of interfund borrowing and permanent transfers is to cover temporary or permanent short falls in cash flow within grant programs and funds.

E. PROPRIETARY FUND FINANCIAL STATEMENTS

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and nonmajor funds aggregated.

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. PROPRIETARY FUND FINANCIAL STATEMENTS (Concluded)

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

F. GOVERNMENTAL FUND FINANCIAL STATEMENTS

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 the 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, typically 60 days. 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. Revenue received after the Regional Office’s availability period are reported as deferred revenue in the fund statements and are reported as current revenue in the Statement of Activities.

G. 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.

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Concluded)

The governmental funds financial statements focus on the measurement of spending or "financial flow" and the determination of changes in financial position, rather than upon net income determination. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 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 funding resources available to finance the program. It is the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's policy to first apply restricted funds, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned if any.

H. FUND ACCOUNTING

The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 uses governmental and proprietary funds.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are reported. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as a fund balance.

As prescribed by GASB Statement No. 34, governmental fund reporting focuses on the major funds, rather than on the fund type. There is a two-step process for determining if a fund should be reported as a major fund: 1) total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for the fund type, and 2) total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and proprietary funds combined. Funds that do not meet the major fund determination requirements are reported in aggregate as nonmajor funds. The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 has presented all major funds that met the above qualifications. The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 reports the following major governmental funds:

General Fund - The General Fund is the operating fund of the Regional Office of Education #20. It is used to account for all financial resources in the Region except those required to be accounted and reported for in another fund. The General Fund is always considered a major fund. The following accounts are included in the General Fund:

Clearing – This fund operates as an imprest account. Money is transferred from various funds and the expenditures appear within the fund in which the cost was incurred.

Local Lunch/Breakfast – To account for Local monies received to provide free lunches and breakfasts to eligible needy children.

Payroll – This fund is utilized for processing payroll. Money is transferred from various funds and the salary expenses appear within the fund in which the salary cost was incurred.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

General Budget – This fund is used for the general operation of the Regional Office and to cover expenses that are not paid for by other funds.

Truants Alternative/Optional Education – This fund accounts for the proceeds from State grants expended under a program to reduce student truancy.

Truants Alternative General State Aid – These funds are used to account for the administration of monies to be used for the General State Aid Program.

Regional Safe Schools – This fund is used to account for the monies received from the State. The program concentrates on the education of students who have been expelled from the school districts served by the Regional Office of Education #20.

Safe Schools State Aid – To account for General State Aid received from the Illinois State Board of Education based on the average daily attendance at the Safe School.

Major Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than fiduciary or major capital projects) that are restricted to expenditures for specified purposes.

Major special revenue funds include the following:

Education – The Education Fund includes proceeds for various grants supporting education enhancement programs as follows:

ROE/ISC General Operations – This fund accounts for grant monies received and expended for general and administrative expenses.

ROE/ISC Technology – This fund accounts for State monies received and expended for implementing regional-based computer software and providing on-going support of that software.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

Workforce Investment Act – This fund accounts for federal grant monies received and expended to prepare youth for entry into the labor force and to afford job training to those economically disadvantaged youth facing serious barriers to employment, who are in special need of such training to obtain productive employment.

Federal Special Education – Pre-School Discretionary – This fund is used to account for the monies received from the State (federal dollars) to promote increasing public awareness of the availability of services and locating, identifying and evaluating children suspected of having disabilities.

American Recovery and Reinvestment Act (ARRA) Title I School Improvement & Accountability – This fund is used to work with first and second year Title I schools in improvement status to help them understand the school improvement planning process and to support district improvement planning for Title I districts in improvement status.

Career and Technical Education – This fund is used to account for the monies received from Southern Illinois University to provide technical assistance to the Center for Workforce Development (SIUC) in the Springfield offices located on the Lincoln Land Community College campus and to support grant-funded projects and activities supported through various public/private sector sources.

Career and Technical Education Curriculum – This fund is used to account for the monies received from Southern Illinois University to provide technical assistance to the Center for Workforce Development (SIUC) in the Springfield offices located on the Lincoln Land Community College campus and to support grant-funded projects and activities supported through various public/private sector sources.

Principal Mentoring – This fund is used to account for the monies received from the State to ensure that first year principals are mentored by a qualified, highly-trained mentor.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

American Recovery and Reinvestment Act (ARRA) Education Jobs Program – This fund is used to account for the monies that local educational agencies were passed to retain existing employees, to recall or rehire former employees, and to hire new employees in order to provide early childhood, elementary, or secondary educational and related services.

System of Support – This fund is used to account for the monies received from the State (federal dollars) to provide improvement support to schools in academic early warning and academic watch status as well as to assist other schools whose performance makes placement on the lists in the near future likely.

McKinney-Vento Education For Homeless Children and Youth – This fund is used to account for the monies received from the State (federal dollars) for assisting school districts in identifying and providing assistance to at-risk students.

Federal Lunch – This fund is used to account for the monies received from the State (federal dollars) for reimbursement for meals through the school lunch program at the regular price as well as reimbursement of free and reduced-priced meals for students enrolled in the Regional Safe Schools Program.

State Lunch – To account for State monies received to provide free lunches and breakfasts to eligible needy children enrolled in the Regional Safe School Program.

Federal Forest Reserve – This fund is used to account for the monies received from the State (federal dollars) for school districts with land in the Shawnee National Forest.

School Breakfast Incentive – To account for State monies received to provide breakfast meals to eligible needy children.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Concluded)

Federal Breakfast – This fund is used to account for the monies received from the State (federal dollars) to provide breakfast meals meeting federal requirements to all children in attendance at the Regional Safe School Program.

Harrisburg Project – This fund is used to account for the contract that creates and maintains computer software and provides an electronic exchange of data for the school districts with other entities.

Institute – This fund accounts for fees from registrations. These funds are used to help pay certain administrative expenses incurred to conduct workshops and for general meetings with teachers and other school personnel. All funds generated remain restricted until expended only on the aforementioned activities.

The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 reports the following nonmajor governmental funds:

Nonmajor special revenue funds include the following:

General Educational Development – To account for the Regional Office of Education's administration of the GED Testing Program. Revenues are received from testing and diploma fees.

Bus Driver/Transportation – This fund accounts for State and local receipts and expenses as a result of training school district bus drivers.

Supervisory – This fund accounts for proceeds provided to the Regional Superintendent by the Illinois State Board of Education to be used for travel and related purposes.

PROPRIETARY FUNDS

Proprietary funds are those in which revenues and expenses related to services provided to organizations inside the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 are reported.

Local Workshops – To account for the fees and local revenues received and related disbursements incurred while performing the corresponding program services.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPRIETARY FUNDS (Concluded)

Lab School Reservations – To account for the fees received and related disbursements incurred for startup of the lab schools every August.

I. GOVERNMENTAL FUND BALANCES

Fund balance is the difference between assets and liabilities in a Governmental Fund. The following types of fund balances are presented in the Governmental Funds Balance Sheet and Governmental Funds Combining Schedule of Accounts:

Nonspendable Fund Balance – the portion of a Governmental Fund’s net assets that are not available to be spent, either short term or long term, in either form or through legal restrictions. There are no accounts presenting a nonspendable fund balance.

Restricted Fund Balance – the portion of a Governmental Fund’s net assets that are subject to external enforceable legal restrictions. The following fund balances are restricted by grant agreements or contracts: Principal Mentoring and Harrisburg Project. The following fund balances are restricted by Illinois statute: Institute, Bus Driver/Transportation, and Supervisory.

Committed Fund Balance - the portion of a Governmental Fund’s net assets with self-imposed constraints or limitations that have been placed at the highest level of decision making. There are no accounts presenting a committed fund balance.

Assigned Fund Balance – the portion of a Governmental Fund’s net assets that denote an intended use of resources. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The following accounts comprise assigned fund balance: Clearing, Payroll, Truants Alternative Gen. State Aid, Safe Schools State Aid and Local Lunch/Breakfast.

Unassigned Fund Balance – the portion of a Governmental Fund’s net assets that are available expendable resources in a governmental fund that are not designated for a specific purpose. The following fund balances are unassigned: General Budget, Federal Lunch, State Lunch, Federal Breakfast, and General Educational Development.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. NET ASSETS

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

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

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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

K. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash on deposit. The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

L. INVENTORY

Inventory is not recorded. The cost is recorded as an expenditure at the time individual inventory items are purchased.

M. CAPITAL ASSETS

Capital assets purchased or acquired, with an original cost of \$1,000 or more, are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. CAPITAL ASSETS (Concluded)

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Office Equipment and Furniture	5 - 10 years
Computer Equipment	3 - 5 years
Building Improvements	10 - 20 years

N. COMPENSATED ABSENCES

Employees of the Regional Office of Education #20 are permitted to accumulate earned but unused vacation benefits. Accumulated unused vacation benefits are accrued as incurred in the government-wide financial statements. Governmental funds record accumulated unused vacation benefits payable only when due for payment, such as when an employee retires or resigns. Accrued but unused vacation time in the amount of \$39,571 is included on the government-wide financial statements at June 30, 2011.

Sick leave accumulates as far as time available but is not reimbursable to employees upon termination. Therefore, no accruals or reserves have been established.

O. ESTIMATES

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

P. BUDGET INFORMATION

The Regional Office of Education #20 acts as the administrative agent for certain grant programs that are accounted for in the General and Education Funds. Certain programs have separate budgets and are required to report to the Illinois State Board of Education; however, none of the annual budgets have been legally adopted nor are they required to do so. Comparisons of budgeted and actual results are presented as supplemental information.

Budgetary comparison schedules have been provided in supplementary schedules for the following funds: Truants Alternative/Optional Education, Regional Safe Schools, ROE/ISC Operations, Federal Special Education – Pre-School Discretionary, and ARRA Title I School Improvement & Accountability.

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NOTE 2 – DEPOSITS AND INVESTMENTS

The *Illinois Compiled Statutes* authorize the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 to make deposits and invest in U.S. Government, State of Illinois and municipal securities, certificates of deposit or time savings deposits insured by the FDIC, mortgage notes, bonds, or debentures issued by the Federal Housing Administration, bonds and other obligations of the Federal National Mortgage Association, commercial paper rated within the three highest classifications by at least two standard rating services, credit union shares, and the Illinois Public Treasurer's Investment Pool.

A. DEPOSITS

At June 30, 2011, the carrying amount of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's government-wide deposits were \$251,917 and the bank balances were \$608,683. Of the total bank balances as of June 30, 2011, \$507,082 was secured by federal depository insurance and \$99,383 was collateralized by securities pledged by the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's financial institution in the name of the Regional Office.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits with financial institutions is the risk that, in the event of bank failure, the ROE's deposits may not be returned to it. To guard against custodial credit risk for deposits with financial institutions, the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's investment policy requires that deposits with financial institutions in excess of FDIC limits be secured by some form of collateral, by a written agreement, and held at an independent, third-party institution in the name of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20.

B. INVESTMENTS

The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 does not have a formal investment policy, as its only investments are internally pooled in the Illinois Funds Money Market Fund. At June 30, 2011, the Regional Office of Education #20 had investments with carrying and fair values of \$2,218 invested in the Illinois Funds Money Market Fund.

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NOTE 2 – DEPOSITS AND INVESTMENTS (Concluded)

CREDIT RISK

At June 30, 2011, the Illinois Funds Money Market Fund had a Standard 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 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'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 receipts.

NOTE 3 – DEFINED BENEFIT PENSION PLAN

Plan Description. The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained online at www.imrf.org.

Funding Policy. As set by statute, the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's Regular plan members are required to

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NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued)

contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2010 was 12.53 percent. The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. The required contribution for calendar year 2010 was \$115,617.

A. TREND INFORMATION

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
12/31/10	\$ 115,617	100%	\$0
12/31/09	88,181	100%	0
12/31/08	92,929	100%	0

The required contribution for 2010 was determined as part of the December 31, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008, included a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), b) additional projected salary increases of 4.00% a year, attributable to inflation, c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and d) post retirement benefit increases of 3% annually. The actuarial value of Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets.

The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's Regular plan's unfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on an open 10 year basis.

Funded Status and Funding Progress. As of December 31, 2010, the most recent actuarial valuation date, the Regular plan was 81.49 percent funded. The actuarial accrued liability for benefits was \$2,292,125 and the actuarial value of assets was \$1,867,740, resulting in an

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NOTE 3 – DEFINED BENEFIT PENSION PLAN (Concluded)

underfunded actuarial accrued liability (UAAL) of \$424,385. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$922,721 and the ratio of the UAAL to the covered payroll was 46 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 4 – TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 participates in the Teacher's Retirement System of the State of Illinois (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 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 a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2011, was 9.4 percent of creditable earnings. The same contribution rate applies to members whose first contributing service is on or after Jan. 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4 percent for the years ended June 30, 2010 and 2009.

The State of Illinois makes contributions directly to TRS on behalf of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's TRS-covered employees.

- **On behalf contributions.** The State of Illinois makes employer pension contributions on behalf of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20. For the year ended June 30, 2011, State of Illinois

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NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

- **On behalf contributions. (Concluded)**

contributions were based on 23.10 percent of creditable earnings not paid from federal funds, and the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 recognized revenue and expenditures of \$101,115 in pension contributions that the State of Illinois paid directly to TRS.

For the years ended June 30, 2010 and June 30, 2009, the State of Illinois contribution rates as percentages of creditable earnings were 23.38 percent (\$110,903) and 17.08 percent (\$58,204), respectively.

The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 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, 2011 were \$1,586. Contributions for the years ending June 30, 2010 and June 30, 2009, were \$1,750 and \$2,223, respectively.

- **Federal and special trust fund contributions.** When TRS members are paid from federal and special trust funds administered by the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20, there is a statutory requirement for the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 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 special trust funds will be the same as the State contribution rate to TRS.

For the year ended June 30, 2011, the employer pension contribution was 23.10 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2010 and 2009, the employer pension contribution was 23.38 and 17.08 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2011 salaries totaling \$11,719 were paid from federal and special trust funds that required employer contributions of \$2,707. For the years ended June 30, 2010 and June 30, 2009, required Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 contributions were \$701 and \$7,257, respectively.

- **Early Retirement Option.** The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 is also required to make one-time

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NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

- **Early Retirement Option. (Concluded)**

employer ERO contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member. The maximum employer contribution is 117.5 percent and applies when the member is age 55 at retirement.

For the years ended June 30, 2011, 2010, and 2009, the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 paid no employer contributions to TRS under the ERO program.

- **Salary increases over 6 percent and excess sick leave.** If the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 grants salary increases over 6 percent and those salaries are used to calculate a retiree’s final average salary, the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 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 increase of up to 6 percent.

For the years ended June 30, 2011, 2010, and 2009, the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 paid \$2,603, \$0, and \$0, respectively, in employer contributions to TRS for employer contributions due on salary increases in excess of 6 percent.

If the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 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 (18.03 percent of salary during the year ended June 30, 2011, as recertified pursuant to Public Act 96-1511).

For the years ended June 30, 2011, 2010, and 2009, the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 paid no employer contributions to TRS for sick leave days granted in the excess of the normal annual allotment.

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Concluded)

Further information on TRS. TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and State funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for year ended June 30, 2010. The report for the year ended June 30, 2011, is expected to be available in late 2011. The reports may be obtained by writing to the Teachers’ 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 <http://trs.illinois.gov>.

NOTE 5 – TEACHERS’ HEALTH INSURANCE SECURITY FUND

The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but does not provide vision, dental, or life insurance benefits to annuitants of the Teachers’ Retirement System (TRS). Annuitants may participate in the State administered participating provider option plan or choose from several managed care options.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor’s approval. The Illinois Department of Healthcare and Family Services (HFS) and the Illinois Department of Central Management Services (CMS) administer the plan with the cooperation of TRS. The director of HFS determines the rates and premiums for annuitants and dependent beneficiaries and establishes the cost-sharing parameters. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to the TRS who are not employees of the State make a contribution to THIS Fund.

The percentage of employer required contributions in the future will be determined by the director of Healthcare and Family Services and will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year.

On behalf contributions to THIS Fund - The State of Illinois makes employer retiree health insurance contributions on behalf of Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20. State contributions are intended to match contributions to THIS Fund from active members which were 0.88 percent of pay during the year ended June 30, 2011. State of Illinois contributions were \$1,805, and the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 recognized revenue and expenditures of this amount during the year.

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
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REGIONAL OFFICE OF EDUCATION #20
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5 – TEACHERS’ HEALTH INSURANCE SECURITY FUND (Concluded)

State contributions intended to match active member contributions during the year ended June 30, 2010 was 0.84 percent of pay. State contributions on behalf of Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 employees were \$2,534.

Had the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 recognized revenue and expenditures for State contributions intended to match active member contributions during the year ended June 30, 2009 under the current standards, the contribution match would have been 0.84 percent of pay or \$3,219.

Employer contributions to THIS Fund. The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 also makes contributions to THIS Fund. The THIS contribution was 0.66 percent during the year ended June 30, 2011, and 0.63 percent during the years ended June 30, 2010, and June 30, 2009.

For the year ended June 30, 2011 the Regional Office of Education #20 paid \$1,805 to the THIS fund. For the years ended June 30, 2010 and June 30, 2009, the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 paid \$1,901 and \$0 to the THIS Fund, respectively, which was 100 percent of the required contribution.

Further information on THIS Fund. The publicly available financial report of the THIS Fund may be obtained by writing to the Department of Healthcare and Family Services, 201 S. Grand Ave., Springfield, IL 62763-3838.

NOTE 6 – INTERFUND ACTIVITY

DUE TO/FROM OTHER FUNDS

Interfund due to/from other fund balances at June 30, 2011 consist of the following individual due to/from other funds in the governmental fund balance sheet. The balances between governmental funds were eliminated in the government-wide Statement of Net Assets.

Fund	Due From Other Funds	Due To Other Funds
Education Fund	\$ -	\$ 38,350
Proprietary Fund	58,453	38,179
Harrisburg Project	-	5,174
Institute Fund	11,975	278
NonMajor Funds	2	596
General Fund	225,661	213,514
	\$ 296,091	\$ 296,091

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
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 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011

NOTE 6 – INTERFUND ACTIVITY (Concluded)

TRANSFERS

Interfund transfers in/out to other fund balances at June 30, 2011 consist of the following individual transfers in/out to other funds in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and in the proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Assets. The transfer balances between governmental funds were eliminated in the government-wide Statement of Activities.

	<u>Transfer Out</u>	<u>Transfer In</u>
Education Fund	\$ -	\$ 9,136
Proprietary Fund	<u>9,136</u>	<u>-</u>
Totals	<u>\$ 9,136</u>	<u>\$ 9,136</u>

NOTE 7 – CAPITAL ASSET ACTIVITY

In accordance with GASB Statement No. 34, the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 has reported capital assets in the government-wide Statement of Net Assets. Purchases are reported as capital outlay in the governmental fund statements. Purchases of business-type activities are capitalized when purchased.

The following table provides a summary of changes in total assets, accumulated depreciation, and investment in capital assets for the year ended June 30, 2011.

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
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REGIONAL OFFICE OF EDUCATION #20
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 7 – CAPITAL ASSET ACTIVITY (Concluded)

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental Activities:				
Capital Assets being depreciated:				
Improvements other than buildings	\$ 8,437	\$ -	\$ -	\$ 8,437
Machinery and equipment	270,908	1,405	(1,100)	271,213
Total capital assets being depreciated	<u>279,345</u>	<u>1,405</u>	<u>(1,100)</u>	<u>279,650</u>
Less accumulated depreciation for:				
Improvements other than buildings	5,241	-	-	5,241
Machinery and equipment	230,161	23,101	(1,100)	252,162
Total accumulated depreciation	<u>235,402</u>	<u>23,101</u>	<u>(1,100)</u>	<u>257,403</u>
Governmental activities capital assets, net	<u>\$ 43,943</u>	<u>\$ (21,696)</u>	<u>\$ -</u>	<u>\$ 22,247</u>
	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Business-type Activities:				
Capital Assets being depreciated:				
Improvements other than buildings	\$ 2,182	\$ -	\$ -	\$ 2,182
Machinery and equipment	55,740	-	-	55,740
Total capital assets being depreciated	<u>57,922</u>	<u>-</u>	<u>-</u>	<u>57,922</u>
Less accumulated depreciation for:				
Improvements other than buildings	1,963	-	-	1,963
Machinery and equipment	55,379	580	-	55,959
Total accumulated depreciation	<u>57,342</u>	<u>580</u>	<u>-</u>	<u>57,922</u>
Business-type activities capital assets, net	<u>\$ 580</u>	<u>\$ (580)</u>	<u>\$ -</u>	<u>\$ -</u>

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2011 of \$23,101 and \$580 was charged to the governmental activities and the business-type activities, respectively, on the government-wide Statement of Activities. Investment in capital assets is the component of net assets that reports capital assets net of accumulated depreciation.

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
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 FOR THE YEAR ENDED JUNE 30, 2011

NOTE 8 – RISK MANAGEMENT

The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 has purchased commercial insurance to cover these risks. No losses have been incurred in excess of the amounts covered by insurance over the past three years.

NOTE 9 – OPERATING LEASE

The Regional Office of Education #20 leases its office facilities. The lease term is from July 1, 2008 to December 31, 2012. The monthly rental payments under the lease are \$3,160 per month with the Regional Office of Education #20 being responsible for all utility bills and trash removal.

In addition, the Regional Office of Education #20 subleases a portion of their facilities to Pre-School Discretionary and Harrisburg Project. Sublease income was \$25,613 for the year ended June 30, 2011.

The Regional Office of Education #20 leases office space for an Alternative School in Harrisburg, Illinois. The lease term is from July 1, 2010 through June 30, 2015. The monthly rental payments under the lease are \$2,050 per month until June 30, 2011, and are \$1,550 from July 1, 2011 to June 30, 2015, with the Regional Office of Education #20 being responsible for all utility bills and trash removal.

During the year ended June 30, 2011, rentals under lease obligations were \$62,520.

Future minimum rentals for the years ending June 30 are:

Years Ending June 30,	Amount
2012	\$ 56,520
2013	31,240
2014	18,600
2015	18,600
Total	<u>\$ 124,960</u>

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
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REGIONAL OFFICE OF EDUCATION #20
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 10 – ON BEHALF PAYMENTS

The State of Illinois paid the following salaries and benefits on behalf of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20:

Regional Superintendent Salary	\$ 96,435
Assistant Regional Superintendent Salary	79,559
Regional Superintendent Fringe Benefit (Includes State paid insurance)	21,644
Assistant Regional Superintendent Fringe Benefit (Includes State paid insurance)	3,620
Regional Superintendent TRS Pension Contribution	22,276
Assistant Regional Superintendent TRS Pension Contribution	18,378
TRS Pension Contributions	60,461
THIS Contributions	<u>1,805</u>
 Total	 <u>\$ 304,178</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.

These amounts have been recorded in the accompanying financial statements as State revenue and expenditures.

NOTE 11 – LINE OF CREDIT

On March 4, 2011 the Regional Office of Education #20 renewed a line of credit under which they are able to borrow up to \$137,000 at a rate of 4.750 percent. The outstanding balance on this line of credit as of the date of this report was \$87,000. This line of credit agreement expires on March 3, 2012. Interest is accrued and due quarterly.

On June 27, 2011 the Regional Office of Education #20 obtained a line of credit under which they are able to borrow up to \$50,000 at a rate of 4.500 percent. The outstanding balance on this line of credit as of the date of this report was \$50,000. This line of credit agreement expires on September 27, 2011. Interest is accrued and due on September 27, 2011.

NOTE 12 – DUE TO/FROM OTHER GOVERNMENTS

The Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20's General Fund, Proprietary Fund, Education Fund, Harrisburg Project,

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
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REGIONAL OFFICE OF EDUCATION #20
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 12 – DUE TO/FROM OTHER GOVERNMENTS (Concluded)

and various grant programs have funds due from/to various other governmental units which consist of the following:

Due From Other Governments:

Education Fund	
Illinois State Board of Education	\$ 27,146
Federal Government	41,711
Harrisburg Project	
Illinois State Board of Education	51,062
General Funds	
Illinois State Board of Education	72,094
Local Governments	34,069
	<u>\$ 226,082</u>

Due To Other Governments:

Education Fund	
Local Governments	\$ 1,106
Proprietary Fund	
Local Governments	27,089
General Funds	
Illinois State Board of Education	65
	<u>\$ 28,260</u>

NOTE 13 – OTHER POST EMPLOYMENT BENEFITS – HEALTH INSURANCE

Plan Description. The Regional Office of Education #20 has a fully-insured, experience rated health plan (Plan) through Blue Cross Blue Shield.

Funding Policy. The Regional Office of Education #20 funds the Plan on a “pay-as-you-go cash basis”. The Regional Office implicitly subsidizes the retiree health care coverage. In an experience-rated healthcare plan that includes both active employees and retirees with blended

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REGIONAL OFFICE OF EDUCATION #20
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 13 – OTHER POST EMPLOYMENT BENEFITS – HEALTH INSURANCE
(Concluded)

premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees equals the implicit subsidy. The Regional Office of Education #20 requires retirees to pay 100 percent, of the contribution for coverage for retirees and their spouses. Because of this, for actuarial purposes, there is no explicit subsidy. As of August 1, 2011, monthly medical premiums for the Plan are \$564 for the employee only and \$1,187 for the employee and spouse.

	<u>Premium Rate</u>	<u>Explicit Subsidy</u>	<u>Per Capita Cost</u>	<u>Implicit Subsidy</u>
Retiree	\$ 564	\$ -	\$ 1,218	\$ 654
Spouse	623	-	\$ 693	70

The Plan's actuary has determined that as of June 30, 2011 the Unfunded Actuarial Accrued Liability (UAAL) for Other Post Employment Benefits (OPEB) is \$91,611, which is 10.6% of covered payroll. That actuary has further determined that the Annual Required Contribution (ARC), determined in accordance with the parameters of GASB Statement No. 45, is \$13,181. This amount has not been recorded as a liability in the Regional Office of Education #20's accounting records. The annual OPEB cost less employer contributions for the year ended June 30, 2011 is \$13,181. The Regional Office of Education #20 has made no prior contributions to the Plan.

NOTE 14 – DEFICIT FUND BALANCES

Deficit fund balances existed as of June 30, 2011 in the following funds:

<u>Funds with Deficit Fund Balance</u>	<u>Deficit Balance</u>
General Budget	\$ (40,195)
Federal Lunch	(392)
Federal Breakfast	(354)
General Education Development	(583)
	<u>\$ (41,524)</u>

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
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REGIONAL OFFICE OF EDUCATION #20
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 15 - RECLASSIFICATION

Certain funds in fiscal year 2010 has been reclassified to conform to the fiscal year 2011 presentation. In the financial statements issued for fiscal year 2010, all general state aid accounts, Regional Safe Schools, and Truants Alternative/Optional Education were reported as education funds. Education funds are used to account for grant funding that is restricted or committed as to its use. Since general state aid does not meet this requirement, Truants Alternative Gen. State Aid and Safe Schools State Aid are now classified as general funds. Under GASB 54, the definition of a special revenue fund has been changed. A special revenue fund should only be reported when restricted or committed proceeds of specific revenue sources are a substantial portion of the inflows reported in a fund. A substantial portion of the inflows for the Regional Safe Schools and Truants Alternative/Optional Education comes from general state aid. Because of this, Regional Safe Schools and Truants Alternative/Optional Education no longer meets the definition of a Special Revenue Fund and, therefore, they have been reclassified as General Funds in the 2011 report.

In addition, Principal Mentoring has been separately reported as an education fund from the Local Workshops in the proprietary fund in the current year. ROE/ISC General Operations has been reclassified from the general fund to the education fund.

These reclassifications had the following effect on the beginning net assets of the governmental activities and the beginning fund balance for the proprietary fund, general funds, and education funds:

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
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REGIONAL OFFICE OF EDUCATION #20
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 15 – RECLASSIFICATION (Concluded)

Statement of Activities	<u>Governmental Activities</u>
Net Assets, July 1, 2010	\$ 184,534
Reclassification of Principal Mentoring	3,405
Net Assets, July 1, 2010, Restated	<u>\$ 187,939</u>
	<u>Proprietary Fund</u>
Fund Balance, July 1, 2010	\$ 35,228
Reclassification Principal Mentoring	(3,405)
Fund Balance, July 1, 2010, Restated	<u>\$ 31,823</u>
	<u>General Fund</u>
Fund Balance, July 1, 2010	\$ 22,990
Reclassification of ROE/ISC General Operations	17,688
Reclassification of Local Lunch/Breakfast	98
Reclassification of Truants Alternative/Optional Education	(33,879)
Reclassification of Truants Alternative/Gen. State Aid	39,853
Reclassification of Regional Safe Schools	(30,286)
Reclassification of Safe Schools State Aid	46,081
Fund Balance, July 1, 2010, Restated	<u>\$ 62,545</u>
	<u>Education Fund</u>
Fund Balance, July 1, 2010	\$ 20,771
Reclassification of ROE/ISC General Operations	(17,688)
Reclassification of Local Lunch/Breakfast	(98)
Reclassification of Truants Alternative/Optional Education	33,879
Reclassification of Truants Alternative/Gen. State Aid	(39,853)
Reclassification of Regional Safe Schools	30,286
Reclassification of Safe Schools State Aid	(46,081)
Reclassification Principal Mentoring	3,405
Fund Balance, July 1, 2010, Restated	<u>\$ (15,379)</u>

REQUIRED SUPPLEMENTAL INFORMATION
(Other than Management's Discussion and Analysis)

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 ILLINOIS MUNICIPAL RETIREMENT FUND
 SCHEDULE OF FUNDING PROGRESS
 (UNAUDITED)
 JUNE 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) 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)
12/31/10	\$ 1,867,740	\$ 2,292,125	\$ 424,385	81.49%	\$ 922,721	45.99%
12/31/09	1,730,968	2,124,381	393,413	81.48%	928,218	42.38%
12/31/08	1,601,128	1,905,538	304,410	84.02%	870,064	34.99%

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$1,986,826. On a market basis, the funded ratio would be 86.68%.

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 OTHER POST EMPLOYMENT BENEFITS
 SCHEDULE OF FUNDING PROGRESS
 (UNAUDITED)
 JUNE 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/10	\$ -	\$ 91,611	\$ 91,611	0.00%	\$ 863,219	10.6%
7/1/09	-	56,823	56,823	0.00%	838,077	6.8%

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 COMBINING SCHEDULE OF ACCOUNTS
 GENERAL FUND
 JUNE 30, 2011

	Clearing	Local Lunch / Breakfast	Payroll	General Budget	Truants Alternative/ Optional Education
ASSETS					
Cash and cash equivalents	\$ 2,408	\$ 972	\$ 2,357	\$ 72,473	\$ 572
Due from other funds	-	-	-	140,017	-
Due from other governments					
Local	-	-	-	34,069	-
State	-	-	-	-	46,533
TOTAL ASSETS	\$ 2,408	\$ 972	\$ 2,357	\$ 246,559	\$ 47,105
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 5,641	\$ -
Accrued payroll	-	-	-	263	-
Due to other funds	2,002	-	-	133,500	47,005
Due to other governments					
State	-	-	-	-	65
Deferred revenue	-	-	-	10,350	35
Loans payable	-	-	-	137,000	-
TOTAL LIABILITIES	2,002	-	-	286,754	47,105
FUND BALANCE					
Assigned	406	972	2,357	-	-
Unassigned	-	-	-	(40,195)	-
Total Fund Balance (Deficit)	406	972	2,357	(40,195)	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,408	\$ 972	\$ 2,357	\$ 246,559	47,105

OTHER SUPPLEMENTAL INFORMATION

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 COMBINING SCHEDULE OF ACCOUNTS
 GENERAL FUND
 JUNE 30, 2011

	Truants Alternative Gen. State Aid	Regional Safe Schools	Safe Schools State Aid	TOTALS
ASSETS				
Cash and cash equivalents	\$ 32,679	\$ 5,446	\$ 20,594	\$ 137,501
Due from other funds	60,334	-	25,310	225,661
Due from other governments				
Local	-	-	-	34,069
State	-	25,561	-	72,094
TOTAL ASSETS	\$ 93,013	\$ 31,007	\$ 45,904	\$ 469,325
LIABILITIES				
Accounts payable	\$ 2,264	\$ -	\$ 1,800	\$ 9,705
Accrued payroll	16,573	-	20,189	37,025
Due to other funds	-	31,007	-	213,514
Due to other governments				
State	-	-	-	65
Deferred revenue	-	-	-	10,385
Loans payable	-	-	-	137,000
TOTAL LIABILITIES	18,837	31,007	21,989	407,694
FUND BALANCE				
Assigned	74,176	-	23,915	101,826
Unassigned	-	-	-	(40,195)
Total Fund Balance (Deficit)	74,176	-	23,915	61,631
TOTAL LIABILITIES AND FUND BALANCE	\$ 93,013	\$ 31,007	\$ 45,904	\$ 469,325

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GENERAL FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2011

	Clearing	Local Lunch / Breakfast	Payroll	General Budget	Truants Alternative/ Optional Education
REVENUES					
Local sources	\$ -	\$ 1,970	\$ -	\$ 256,353	\$ -
State sources	-	-	-	-	145,411
On-behalf payments -State	-	-	-	304,178	-
Total Revenues	<u>-</u>	<u>1,970</u>	<u>-</u>	<u>560,531</u>	<u>145,411</u>
EXPENDITURES					
Salaries and benefits	-	-	-	246,700	99,345
Purchased services	-	1,093	-	65,416	10,730
Supplies and materials	-	3	-	6,817	1,463
Other objects	-	-	-	2,780	-
Payments to other governments	-	-	-	9,590	-
On-behalf payments - State	-	-	-	304,178	-
Debt service:					
Interest	-	-	-	3,208	-
Total Expenditures	<u>-</u>	<u>1,096</u>	<u>-</u>	<u>638,689</u>	<u>111,538</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>874</u>	<u>-</u>	<u>(78,158)</u>	<u>33,873</u>
OTHER FINANCING SOURCES (USES)					
Interest	<u>7</u>	<u>-</u>	<u>17</u>	<u>24</u>	<u>6</u>
Total Other Financing Sources (Uses)	<u>7</u>	<u>-</u>	<u>17</u>	<u>24</u>	<u>6</u>
NET CHANGE IN FUND BALANCE	<u>7</u>	<u>874</u>	<u>17</u>	<u>(78,134)</u>	<u>33,879</u>
FUND BALANCE (DEFICIT) - BEGINNING, RESTATED (See Note 15)	<u>399</u>	<u>98</u>	<u>2,340</u>	<u>37,939</u>	<u>(33,879)</u>
FUND BALANCE (DEFICIT)- ENDING	<u>\$ 406</u>	<u>\$ 972</u>	<u>\$ 2,357</u>	<u>\$ (40,195)</u>	<u>\$ -</u>

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GENERAL FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2011

	Truants Alternative / Gen. State Aid	Regional Safe Schools	Safe Schools State Aid	TOTALS
REVENUES				
Local sources	\$ 40	\$ -	\$ 42	\$ 258,405
State sources	186,864	113,347	128,798	574,420
On-behalf payments -State	-	-	-	304,178
Total Revenues	<u>186,904</u>	<u>113,347</u>	<u>128,840</u>	<u>1,137,003</u>
EXPENDITURES				
Salaries and benefits	104,899	79,699	110,988	641,631
Purchased services	24,456	3,369	20,368	125,432
Supplies and materials	23,237	-	19,686	51,206
Other objects	-	-	-	2,780
Payments to other governments	-	-	-	9,590
On-behalf payments - State	-	-	-	304,178
Debt service:				
Interest	-	-	-	3,208
Total Expenditures	<u>152,592</u>	<u>83,068</u>	<u>151,042</u>	<u>1,138,025</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>34,312</u>	<u>30,279</u>	<u>(22,202)</u>	<u>(1,022)</u>
OTHER FINANCING SOURCES (USES)				
Interest	11	7	36	108
Total Other Financing Sources (Uses)	<u>11</u>	<u>7</u>	<u>36</u>	<u>108</u>
NET CHANGE IN FUND BALANCE	34,323	30,286	(22,166)	(914)
FUND BALANCE (DEFICIT) - BEGINNING, RESTATED (See Note 15)	<u>39,853</u>	<u>(30,286)</u>	<u>46,081</u>	<u>62,545</u>
FUND BALANCE (DEFICIT)- ENDING	<u>\$ 74,176</u>	<u>\$ -</u>	<u>\$ 23,915</u>	<u>\$ 61,631</u>

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 BUDGETARY COMPARISON SCHEDULE
 (For the Period of July 1, 2010 to June 30, 2011)
 GENERAL FUND ACCOUNT
 TRUANTS ALTERNATIVE/OPTIONAL EDUCATION
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
State sources	\$ 106,962	\$ 111,533	\$ 145,411
Total Revenues	<u>106,962</u>	<u>111,533</u>	<u>145,411</u>
EXPENDITURES			
Salaries and benefits	91,899	98,583	99,345
Purchased services	13,563	11,450	10,730
Supplies and materials	1,500	1,500	1,463
Total Expenditures	<u>106,962</u>	<u>111,533</u>	<u>111,538</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>33,873</u>
OTHER FINANCING SOURCES (USES)			
Interest	-	-	6
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>6</u>
NET CHANGE IN FUND BALANCE	-	-	33,879
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>(33,879)</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 BUDGETARY COMPARISON SCHEDULE
 (For the Period of July 1, 2010 to June 30, 2011)
 GENERAL FUND ACCOUNT
 REGIONAL SAFE SCHOOLS
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
State sources	\$ 83,061	\$ 83,061	\$ 113,347
Total Revenues	<u>83,061</u>	<u>83,061</u>	<u>113,347</u>
EXPENDITURES			
Salaries and benefits	78,947	78,947	79,699
Purchased services	4,114	4,114	3,369
Total Expenditures	<u>83,061</u>	<u>83,061</u>	<u>83,068</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>30,279</u>
OTHER FINANCING SOURCES (USES)			
Interest	-	-	7
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>7</u>
NET CHANGE IN FUND BALANCE	-	-	30,286
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>(30,286)</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
 JUNE 30, 2011

	ROE/ISC General Operations	ROE/ISC Technology	Workforce Investment Act	Federal Special Education - Pre-School Discretionary
ASSETS				
Cash and cash equivalents	\$ 818	\$ 1,471	406	\$ 7,303
Due from other governments				
State	18,682	-	-	-
Federal	-	-	1,700	-
TOTAL ASSETS	\$ 19,500	\$ 1,471	\$ 2,106	\$ 7,303
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 299
Accrued payroll and employee benefits	-	-	-	-
Due to other funds	19,500	1,471	1,000	7,004
Due to other governments:				
Local	-	-	1,106	-
Deferred revenue	-	-	-	-
TOTAL LIABILITIES	19,500	1,471	2,106	7,303
FUND BALANCE (DEFICIT)				
Restricted	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balance (Deficit)	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 19,500	\$ 1,471	\$ 2,106	\$ 7,303

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
 JUNE 30, 2011

	ARRA Title I School Improvement & Accountability	Career and Technical Education	Career and Technical Education Curriculum	Principal Mentoring
ASSETS				
Cash and cash equivalents	\$ 18,768	\$ 103	\$ 103	\$ 1,472
Due from other governments				
State	-	-	-	8,250
Federal	23,554	3,606	3,606	-
TOTAL ASSETS	\$ 42,322	\$ 3,709	\$ 3,709	\$ 9,722
LIABILITIES				
Accounts payable	\$ 14,449	\$ -	\$ -	\$ -
Accrued payroll and employee benefits	1,118	3,473	3,473	6,459
Due to other funds	6,723	132	132	-
Due to other governments:				
Local	-	-	-	-
Deferred revenue	20,032	104	104	-
TOTAL LIABILITIES	42,322	3,709	3,709	6,459
FUND BALANCE (DEFICIT)				
Restricted	-	-	-	3,263
Unassigned	-	-	-	-
Total Fund Balance (Deficit)	-	-	-	3,263
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 42,322	\$ 3,709	\$ 3,709	\$ 9,722

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
 JUNE 30, 2011

	ARRA Education Jobs Program	System of Support	McKinney-Vento Education for Homeless Children & Youth	Federal Lunch
ASSETS				
Cash and cash equivalents	\$ 400	\$ 991	\$ 9,490	\$ -
Due from other governments				
State	-	-	-	-
Federal	-	8,499	-	392
TOTAL ASSETS	\$ 400	\$ 9,490	\$ 9,490	\$ 392
LIABILITIES				
Accounts payable	\$ -	\$ 7,879	\$ 9,467	\$ -
Accrued payroll and employee benefits	-	606	-	-
Due to other funds	400	1,005	23	392
Due to other governments:				
Local	-	-	-	-
Deferred revenue	-	-	-	392
TOTAL LIABILITIES	400	9,490	9,490	784
FUND BALANCE (DEFICIT)				
Restricted	-	-	-	-
Unassigned	-	-	-	(392)
Total Fund Balance (Deficit)	-	-	-	(392)
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 400	\$ 9,490	\$ 9,490	\$ 392

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
 JUNE 30, 2011

	State Lunch	Federal Forest Reserve	School Breakfast Incentive	Federal Breakfast	TOTALS
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 41,325
Due from other governments					
State	214	-	-	-	27,146
Federal	-	-	-	354	41,711
TOTAL ASSETS	\$ 214	\$ -	\$ -	\$ 354	\$ 110,182
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 32,094
Accrued payroll and employee benefits	-	-	-	-	15,129
Due to other funds	214	-	-	354	38,350
Due to other governments:					
Local	-	-	-	-	1,106
Deferred revenue	-	-	-	354	20,986
TOTAL LIABILITIES	214	-	-	708	107,665
FUND BALANCE (DEFICIT)					
Restricted	-	-	-	-	3,263
Unassigned	-	-	-	(354)	(746)
Total Fund Balance (Deficit)	-	-	-	(354)	2,517
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 214	\$ -	\$ -	\$ 354	\$ 110,182

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2011

	ROE/ISC General Operations	ROE/ISC Technology	Workforce Investment Act	Federal Special Education - Pre-school Discretionary
REVENUES				
State sources	\$ 73,870	\$ 7,500	\$ -	\$ -
Federal sources	-	-	22,094	371,349
Total Revenue	<u>73,870</u>	<u>7,500</u>	<u>22,094</u>	<u>371,349</u>
EXPENDITURES				
Salaries and benefits	46,079	7,469	16,446	149,115
Purchased services	7,107	31	5,600	222,243
Supplies and materials	2,308	-	48	5,330
Capital outlay	678	-	-	-
Payments to other governments	-	-	-	-
Debt service:				
Interest	10	-	-	-
Total Expenditures	<u>56,182</u>	<u>7,500</u>	<u>22,094</u>	<u>376,688</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>17,688</u>	<u>-</u>	<u>-</u>	<u>(5,339)</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	-	5,317
Interest	-	-	-	22
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,339</u>
NET CHANGE IN FUND BALANCE	17,688	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING, RESTATED (See Note 15)	<u>(17,688)</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2011

	ARRA Title I School Improvement & Accountability	Career and Technical Education	Career and Technical Education Curriculum	Principal Mentoring
REVENUES				
State sources	\$ -	\$ 28,396	\$ -	\$ 8,250
Federal sources	139,968	-	28,396	-
Total Revenue	<u>139,968</u>	<u>28,396</u>	<u>28,396</u>	<u>8,250</u>
EXPENDITURES				
Salaries and benefits	60,243	26,764	26,764	6,459
Purchased services	63,675	1,632	1,632	1,981
Supplies and materials	16,054	-	-	35
Capital outlay	-	-	-	-
Payments to other governments	-	-	-	-
Debt service:				
Interest	-	-	-	-
Total Expenditures	<u>139,972</u>	<u>28,396</u>	<u>28,396</u>	<u>8,475</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>(225)</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	-	-
Interest	4	-	-	83
Total Other Financing Sources (Uses)	<u>4</u>	<u>-</u>	<u>-</u>	<u>83</u>
NET CHANGE IN FUND BALANCE	-	-	-	(142)
FUND BALANCE (DEFICIT) - BEGINNING, RESTATED (See Note 15)	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,405</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,263</u>

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2011

	ARRA Education Jobs Program	System of Support	McKinney-Vento Education for Homeless Children & Youth	Federal Lunch
REVENUES				
State sources	\$ -	\$ -	\$ -	\$ -
Federal sources	28,741	45,722	18,000	10,383
Total Revenue	<u>28,741</u>	<u>45,722</u>	<u>18,000</u>	<u>10,383</u>
EXPENDITURES				
Salaries and benefits	28,741	24,727	4,248	-
Purchased services	-	5,685	2,180	13,614
Supplies and materials	-	21	11,572	30
Capital outlay	-	-	-	-
Payments to other governments	-	14,194	-	-
Debt service:				
Interest	-	-	-	-
Total Expenditures	<u>28,741</u>	<u>44,627</u>	<u>18,000</u>	<u>13,644</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>1,095</u>	<u>-</u>	<u>(3,261)</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	-	2,869
Interest	-	1	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>1</u>	<u>-</u>	<u>2,869</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>1,096</u>	<u>-</u>	<u>(392)</u>
FUND BALANCE (DEFICIT) - BEGINNING, RESTATED (See Note 15)	<u>-</u>	<u>(1,096)</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (392)</u>

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2011

	State Lunch	Federal Forest Reserve	School Breakfast Incentive	Federal Breakfast	TOTALS
REVENUES					
State sources	\$ 794	\$ -	\$ 11	\$ -	\$ 118,821
Federal sources	-	1,617	-	5,126	671,396
Total Revenue	<u>794</u>	<u>1,617</u>	<u>11</u>	<u>5,126</u>	<u>790,217</u>
EXPENDITURES					
Salaries and benefits	-	-	-	-	397,055
Purchased services	1,139	-	-	5,927	332,446
Supplies and materials	142	-	11	16	35,567
Capital outlay	-	-	-	-	678
Payments to other governments	-	1,617	-	-	15,811
Debt service:					-
Interest	-	-	-	-	10
Total Expenditures	<u>1,281</u>	<u>1,617</u>	<u>11</u>	<u>5,943</u>	<u>781,567</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(487)</u>	<u>-</u>	<u>-</u>	<u>(817)</u>	<u>8,650</u>
OTHER FINANCING SOURCES (USES)					
Transfer in	487	-	-	463	9,136
Interest	-	-	-	-	110
Total Other Financing Sources (Uses)	<u>487</u>	<u>-</u>	<u>-</u>	<u>463</u>	<u>9,246</u>
NET CHANGE IN FUND BALANCE	-	-	-	(354)	17,896
FUND BALANCE (DEFICIT) - BEGINNING, RESTATED (See Note 15)	-	-	-	-	(15,379)
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (354)</u>	<u>\$ 2,517</u>

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 BUDGETARY COMPARISON SCHEDULE
 (For the Period of July 21, 2010 to June 30, 2011)
 EDUCATION FUND ACCOUNT
 ROE/ISC GENERAL OPERATIONS
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
State sources	\$ 30,844	\$ 56,182	\$ 73,870
Total revenues	<u>30,844</u>	<u>56,182</u>	<u>73,870</u>
EXPENDITURES			
Salaries and benefits	25,135	45,486	46,079
Purchased services	3,972	6,314	7,107
Supplies and materials	1,237	2,387	2,308
Capital outlay	-	995	678
Other objects	500	1,000	-
Debt service:			
Interest	-	-	10
Total Expenditures	<u>30,844</u>	<u>56,182</u>	<u>56,182</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>17,688</u>
NET CHANGE IN FUND BALANCE	-	-	17,688
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>(17,688)</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 BUDGETARY COMPARISON SCHEDULE
 (For the Period of July 1, 2010 to June 30, 2011)
 EDUCATION FUND ACCOUNT
 FEDERAL SPECIAL EDUCATION - PRESCHOOL DISCRETIONARY
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Federal sources	\$ 350,000	\$ 350,000	\$ 371,349
Total Revenues	<u>350,000</u>	<u>350,000</u>	<u>371,349</u>
EXPENDITURES			
Salaries and benefits	163,190	163,190	149,115
Purchased services	181,710	181,710	222,243
Supplies and materials	5,100	5,100	5,330
Total Expenditures	<u>350,000</u>	<u>350,000</u>	<u>376,688</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(5,339)</u>
OTHER FINANCING SOURCES (USES)			
Transfer In	-	-	5,317
Interest	-	-	22
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>5,339</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 BUDGETARY COMPARISON SCHEDULE
 (For the Period of August 4, 2010 to August 31, 2011)
 EDUCATION FUND ACCOUNT
 ARRA TITLE I SCHOOL IMPROVEMENT & ACCOUNTABILITY
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Federal sources	\$ 160,000	\$ 160,000	\$ 139,968
Total Revenues	<u>160,000</u>	<u>160,000</u>	<u>139,968</u>
EXPENDITURES			
Salaries and benefits	77,957	74,226	60,243
Purchased services	31,473	46,027	63,675
Supplies and materials	15,347	16,347	16,054
Payments to other governmental units	35,223	23,400	-
Total Expenditures	<u>160,000</u>	<u>160,000</u>	<u>139,972</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(4)</u>
OTHER FINANCING SOURCES (USES)			
Interest	-	-	4
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>4</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2011

	General Educational Development	Bus Driver/ Transportation	Supervisory	TOTALS
ASSETS				
Cash and cash equivalents	\$ 2,416	\$ 8,004	\$ 156	\$ 10,576
Due from other funds	2	-	-	2
TOTAL ASSETS	\$ 2,418	\$ 8,004	\$ 156	\$ 10,578
LIABILITIES				
Accounts payable	\$ 2,413	\$ 331	\$ -	\$ 2,744
Due to other funds	588	8	-	596
TOTAL LIABILITIES	3,001	339	-	3,340
FUND BALANCE (DEFICIT)				
Restricted		7,665	156	7,821
Unassigned	(583)	-	-	(583)
TOTAL FUND BALANCE (DEFICIT)	(583)	7,665	156	7,238
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 2,418	\$ 8,004	\$ 156	\$ 10,578

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	General Educational Development	Bus Driver/ Transportation	Supervisory	TOTALS
REVENUES				
Local sources	\$ 10,864	\$ 1,740	\$ -	\$ 12,604
State sources	-	1,183	-	1,183
Total Revenues	<u>10,864</u>	<u>2,923</u>	<u>-</u>	<u>13,787</u>
EXPENDITURES				
Salaries and benefits	9,007	2,433	-	11,440
Purchased services	4,698	1,642	-	6,340
Supplies and materials	1,905	16	-	1,921
Other objects	175	-	-	175
Total Expenditures	<u>15,785</u>	<u>4,091</u>	<u>-</u>	<u>19,876</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,921)</u>	<u>(1,168)</u>	<u>-</u>	<u>(6,089)</u>
OTHER FINANCING SOURCES (USES)				
Interest	3	1	-	4
Total Other Financing Sources (Uses)	<u>3</u>	<u>1</u>	<u>-</u>	<u>4</u>
NET CHANGE IN FUND BALANCE	(4,918)	(1,167)	-	(6,085)
FUND BALANCE - BEGINNING, RESTATED (See Note 15)	<u>4,335</u>	<u>8,832</u>	<u>156</u>	<u>13,323</u>
FUND BALANCE (DEFICIT)- ENDING	<u>\$ (583)</u>	<u>\$ 7,665</u>	<u>\$ 156</u>	<u>\$ 7,238</u>

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass-Through Grantor/ <u>Program or Cluster Title</u>	CFDA <u>Number</u>	Project # (1st eight digits) or <u>Contract #</u>	Federal <u>Expenditures</u> <u>7/1/10 - 6/30/11</u>
U.S. Dept. of Education			
Passed through Illinois State Board of Education:			
Special Education - Preschool Grants (IDEA Preschool)			
Federal Special Education-Preschool Discretionary	84.173A	10-4605-00	\$ 43,666
Federal Special Education-Preschool Discretionary	84.173A	11-4605-00	<u>327,683</u>
Total Special Education - Preschool Grants (IDEA Preschool)			<u>371,349</u>
Education Jobs Fund			
ARRA -Education Jobs	84.410	11-4880-93	11,727
ARRA -Education Jobs	84.410	11-4880-92	<u>17,014</u>
Total Education Jobs Fund			<u>28,741</u>
Title I Grants to Local Educational Agencies -			
ARRA Title I School Improvement and Accountability	84.389A	11-4854-00	<u>139,968</u>
Total Title I Grants to Local Educational Agencies			<u>139,968</u>
Total U.S. Dept of Education passed through the Illinois State Board of Education			<u>540,058</u>
Passed through Regional Office of Education #2:			
Title I - Grants to Local Education Agencies	84.010	10-4331-00	1,600
Title I - Grants to Local Education Agencies	84.010	11-4331-00	<u>43,027</u>
Total Passed through Regional Office of Education #2			<u>44,627</u>
Passed through Regional Office of Education #21:			
Education for Homeless Children and Youth -			
McKinney-Vento Education for Homeless Children & Youth	84.196A	11-4920-00	<u>18,000</u>
Total Passed through Regional Office of Education #21			<u>18,000</u>
Passed through Southern Illinois University:			
Career and Technical Education - Basic Grants to States			
Career and Technical Education Curriculum	84.048A	11-05	<u>28,396</u>
Total Passed through Southern Illinois University			<u>28,396</u>
U.S. Dept. of Agriculture			
Passed through Illinois State Board of Education			
National School Lunch Program	10.555	10-4210-00	1,208
National School Lunch Program	10.555	11-4210-00	<u>9,175</u>
Total National School Lunch Program			<u>10,383</u>
School Breakfast Program (SBP)	10.553	10-4220-00	979
School Breakfast Program (SBP)	10.553	11-4220-00	<u>4,501</u>
Total School Breakfast Program (SBP)			<u>5,480</u>
Total U.S. Dept of Agriculture passed through the Illinois State Board of Education			<u>15,863</u>

The accompanying notes are an integral part of this schedule.

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE, AND WHITE COUNTIES
 REGIONAL OFFICE OF EDUCATION #20
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass-Through Grantor/ <u>Program or Cluster Title</u>	CFDA <u>Number</u>	Project # (1st eight digits) or <u>Contract #</u>	Federal <u>Expenditures</u> <u>7/1/10 - 6/30/11</u>
U.S. Dept. of Labor			
Passed through Mid-5 Employment & Training, Inc.			
Workforce Investment Act Youth Activities	17.259		10,094
Total Mid-5 Employment & Training, Inc.			<u>10,094</u>
Passed through Wabash Area Development, Inc.			
Workforce Investment Act Youth Activities	17.259		12,000
Total Wabash Area Development, Inc.			<u>12,000</u>
Total U.S. Dept. of Labor			<u>22,094</u>
U.S. Forestry Department			
Passed through Illinois Department of Natural Resources			
National Forest - Dependent Rural Communities			
Federal Forest Reserve	10.670	11-4473-00	1,617
Total U.S. Forestry Department passed through the Illinois Department of Natural Resources			<u>1,617</u>
Total Expenditures of Federal Awards			<u>\$ 670,655</u>

The accompanying notes are an integral part of this schedule.

EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH,
WAYNE, AND WHITE COUNTIES
REGIONAL OFFICE OF EDUCATION #20
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - REPORTING ENTITY BASIS OF PRESENTATION AND ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne, and White Counties Regional Office of Education #20 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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
System of Support	84.010	\$ 14,194
Federal Forest Reserve	10.670	\$ 1,617

NOTE 3 - DESCRIPTION OF MAJOR FEDERAL PROGRAM

Federal Special Education – Preschool Discretionary – This fund is used to account for the federal grant which promotes increasing public awareness of availability of services and locating, identifying, and evaluating children suspected of having disabilities.

ARRA Title I School Improvement & Accountability – This fund is used to work with first and second year Title I schools in improvement status to help them understand the school improvement planning process and to support district improvement planning for Title I districts in improvement status.

NOTE 4 - NON-CASH ASSISTANCE

None

NOTE 5 - AMOUNT OF INSURANCE

None

NOTE 6 - LOANS OR LOAN GUARANTEES OUTSTANDING

None