



STATE OF ILLINOIS  
**OFFICE OF THE  
AUDITOR GENERAL**

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**ILLINOIS STATE BOARD OF EDUCATION**

**FINANCIAL AUDIT**

**For the year ended: June 30, 2011**

**Release Date: June 7, 2012**

**Summary of Findings:**

<b>Total this audit:</b>	<b>1</b>
<b>Total last audit:</b>	<b>1</b>
<b>Repeated from last audit:</b>	<b>0</b>

**INTRODUCTION**

This report covers our financial audit of the Illinois State Board of Education (Board) for the year ended June 30, 2011. Our next engagement will include a financial audit for the year ended June 30, 2012 and a compliance examination for the two years ended June 30, 2012.

**SYNOPSIS**

- The Board did not identify or prevent material misstatements in financial reporting.

{Expenditures and Activity Measures are summarized on the reverse page.}

**ILLINOIS STATE BOARD OF EDUCATION  
FINANCIAL AUDIT  
For The Year Ended June 30, 2011  
(Comparative Data Shown for the Fiscal Year Ending June 30, 2010)**

<b>FINANCIAL INFORMATION: Governmental Funds (In Thousands)</b>	<b>2011</b>	<b>2010</b>
<b>PROGRAM REVENUES</b>		
General Fund.....	\$ 170	\$ 1,016,293
Other Funds.....	<u>2,821,208</u>	<u>2,587,065</u>
Total Program Revenues.....	\$ 2,821,378	\$ 3,603,358
<b>EXPENDITURES</b>		
General Fund.....	\$ 6,931,500	\$ 7,103,440
Other Funds.....	<u>2,871,400</u>	<u>2,612,160</u>
Total Expenditures.....	\$ 9,802,900	\$ 9,715,600
<b>OTHER SOURCES (USES)</b>		
Appropriations from State resources.....	\$ 7,054,806	\$ 7,339,985
Receipts remitted to State Treasury.....	\$ (10,951)	\$ (1,022,894)
<b>SELECTED ACCOUNT BALANCES: Statement of Net Assets (In Thousands)</b>		
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 7,708	\$ 8,070
Accounts receivable (includes State and other governments)	\$ 515,957	\$ 330,480
Total Assets.....	\$ 1,753,459	\$ 448,769
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities.....	\$ 1,146,265	\$ 7,271
Due to local governments.....	\$ 2,231,106	\$ 2,048,582
Total liabilities.....	\$ 3,432,843	\$ 2,068,569

<b>AGENCY DIRECTOR</b>
During Examination Period: Dr. Christopher A. Koch, Ed.D. Currently: Dr. Christopher A. Koch, Ed.D.

## **FINDING, CONCLUSION, AND RECOMMENDATION**

### **NEED TO IMPROVE FINANCIAL REPORTING**

The Illinois State Board of Education (Board) did not identify or prevent material misstatements in the accounting information reported to the Office of the State Comptroller or the Board's draft financial statements.

#### **Liabilities were misstated**

- The Board misstated fiscal year 2011 liabilities by \$58.5 million and the beginning balance of nonmajor funds by \$22.5 million due to improper liability recognition for grants.

#### **Net assets were misclassified**

- The assigned fund balance of \$2.1 million for one fund was presented as restricted net assets in the financial statements instead of unrestricted net assets due to errors in implementation of a new accounting standard.

The Board subsequently made the necessary adjustments in the financial statements to properly record transactions. (Finding 1, Pages 38-39)

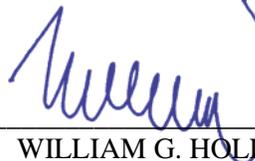
We recommended the Board review its current process for preparation and review of the annual financial statements as well as its policies and procedures for liability measurement and implementation of new accounting standards to ensure that financial information is complete and accurate.

#### **Board officials agree with auditors**

Board management concurred with the finding. Management stated they will review its current process for financial statement preparation as well as develop and employ a new methodology to ensure the proper liability measurement & recognition for financial reporting.

### **AUDITORS' OPINION**

Our special assistant auditors stated that the Board's financial statements of the governmental activities, the major fund, and the aggregate remaining fund information, as of and for the year ended June 30, 2011, are fairly stated in all material respects.



WILLIAM G. HOLLAND  
Auditor General

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### **AUDITORS ASSIGNED**

Our special assistant auditor for this engagement was E.C. Ortiz & Co., LLP.