



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, 2012**

**Release Date: February 21, 2013**

**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>1</b>

**INTRODUCTION**

This report contains only findings pertaining to the Financial Statement Audit of the Illinois State Board of Education (Board) for the year ended June 30, 2012.

The State Compliance Examination for the two years ended June 30, 2012 will be issued at a later date.

**SYNOPSIS**

- The Board did not identify or prevent 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, 2012**

Statement of Revenues, Expenditures and Changes in Fund Balances (In Thousands)	FY 2012	FY 2011
<b>PROGRAM REVENUES</b>		
General Fund.....	\$ 67	\$ 170
Other Funds.....	2,178,837	2,821,208
Total Program Revenues.....	<u>2,178,904</u>	<u>2,821,378</u>
<b>EXPENDITURES</b>		
General Fund.....	6,719,862	6,931,500
Other Funds.....	2,192,388	2,871,400
Total Expenditures.....	<u>8,912,250</u>	<u>9,802,900</u>
<b>GENERAL REVENUES.....</b>	<u>582</u>	<u>1,058</u>
<b>OTHER SOURCES (USES)</b>		
Appropriations from State resources.....	6,895,841	7,054,806
Receipts remitted to State Treasury.....	(8,861)	(10,951)
Reappropriations.....	(107,088)	-
Operating transfers - out.....	-	(630)
Total Other Sources (Uses).....	<u>6,779,892</u>	<u>7,043,225</u>
<b>Changes in Fund Balance.....</b>	<u>\$ 47,128</u>	<u>\$ 62,761</u>
<b>Balance Sheet (In Thousands)</b>		
	<b>FY 2012</b>	<b>FY 2011</b>
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 14,989	\$ 7,708
Accounts receivable (includes State and other governments).....	383,345	515,957
All other assets.....	809,098	1,229,794
Total Assets.....	<u>\$ 1,207,432</u>	<u>\$ 1,753,459</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities.....	\$ 21,259	\$ 1,146,265
Due to local governments.....	2,783,560	2,231,106
All other liabilities.....	42,023	55,472
Total liabilities.....	<u>2,846,842</u>	<u>3,432,843</u>
<b>FUND DEFICIT.....</b>	<u>(1,639,410)</u>	<u>(1,679,384)</u>
<b>TOTAL LIABILITIES AND FUND DEFICITS.....</b>	<u>\$ 1,207,432</u>	<u>\$ 1,753,459</u>

<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 misstatements in the accounting information reported to the Office of the State Comptroller and in the Board's draft financial statements.

**Expenditures were charged to the wrong fiscal year**

- The Board overstated fiscal year 2012 expenditures and liabilities an estimated \$4,706,739 due to fiscal year 2013 expenditures charged to fiscal year 2012 in error.

**Liabilities were misreported**

- A reorganization incentive liability totaling \$7,560,607 was not properly reported in the Board's financial statements. (Finding 1, Pages 39-41)

We recommended the Board review its current process for preparation and review of the annual financial statements to ensure that financial information is complete and accurate. We also recommended the Board establish procedures to determine the proper reporting period for subrecipient expenditures.

**Board officials agree with auditors**

Board management agreed with the finding. Management stated they will modify the expenditure reporting system and ensure proper reporting of the reorganization incentive liability in the future.

**AUDITOR'S 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, 2012, are fairly stated in all material respects.



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WILLIAM G. HOLLAND  
Auditor General

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**AUDITORS ASSIGNED**

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