

State of Illinois
REGIONAL OFFICE OF EDUCATION #1
FINANCIAL AUDIT

FOR THE YEAR ENDED JUNE 30, 2009

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

REGIONAL OFFICE OF EDUCATION #1

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REGIONAL OFFICE OF EDUCATION #1

OFFICIALS

Regional Superintendent

Mr. Raymond Scheiter

(Current and during audit period)

Assistant Regional Superintendent

Mr. Wilfred Flesner

(Current and during audit period)

Offices are Located at:

Adams County Courthouse
507 Vermont Street
Quincy, IL 62301

and

121 East Washington
Pittsfield, IL 62363

REGIONAL OFFICE OF EDUCATION #1

FINANCIAL REPORT SUMMARY

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

AUDITOR'S REPORTS

The auditor's reports 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	4
Repeated audit findings	3	4
Prior recommendations implemented or not repeated	1	5

Details of audit findings are included in a separate report section.

Additional 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 auditors' 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)			
09-1	9	Transactions of two entities are recorded in one accounting system	Significant Deficiency
09-2	10	Controls over financial statement preparation	Material Weakness
09-3	11	Expenditure reports did not agree to general ledger	Significant Deficiency
PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)			
08-2	14	Unallowable finance charges and sales tax	
PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)			

None

EXIT CONFERENCE

An informal exit conference was held on September 18, 2009. Attending were Raymond Scheiter, Regional Superintendent of Schools, Wilfred Flesner, Assistant Regional Superintendent, and Shawn Williamson of Fick, Eggemeyer & Williamson, CPA's. Responses to the recommendations were provided by Ray Scheiter in a letter dated September 22, 2009.

FINANCIAL STATEMENT REPORT

SUMMARY

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

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



INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Regional Office of Education #1, as of and for the year ended June 30, 2009, which collectively comprise the Regional Office of Education #1's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Regional Office of Education #1's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Regional Office of Education #1, as of June 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 9, 2010 on our consideration of the Regional Office of Education #1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 15-19 and 40 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Fick, Eggemeyer & Williamson

Fick, Eggemeyer, & Williamson, CPA's
February 9, 2010



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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Regional Office of Education #1, as of and for the year ended June 30, 2009, which collectively comprise the Regional Office of Education #1's basic financial statements and have issued our report thereon dated February 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of 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 we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 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 deficiency described in finding 09-2 in the accompanying Schedule of Findings to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in findings 09-1 and 09-3 in the accompanying Schedule of Findings to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regional Office of Education #1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings as item 09-3.

We also noted certain matters, which we have reported to management of the Regional Office of Education #1 in a separate letter dated February 9, 2010.

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

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, others within the 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.

Fick, Eggemeyer & Williamson

Fick, Eggemeyer, & Williamson, CPA's
February 9, 2010

REGIONAL OFFICE OF EDUCATION #1
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified X Yes No

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

Noncompliance material to financial statements noted? X Yes No

REGIONAL OFFICE OF EDUCATION #1
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2009

Section II - Financial Statement Findings

FINDING NO. 09-1
Repeated from 08-1, 07-1, 06-1,
05-1, 04-1, 03-4

TRANSACTIONS OF TWO ENTITIES ARE RECORDED IN ONE ACCOUNTING SYSTEM

Criteria/Specified Requirement:

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

Condition:

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

Effect:

Transactions of the WCR appear in the reports of the ROE.

Cause:

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

Recommendation:

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

Management's Response:

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

REGIONAL OFFICE OF EDUCATION #1
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2009

Section II - Financial Statement Findings

FINDING NO. 09-2
Repeated from 08-3, 07-6

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

Criteria/Specified Requirement:

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

Condition:

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

- Numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles. Proposed adjusting entries changed the Regional Office's net assets by \$40,098.
- The Regional Office did not have adequate controls over the maintenance of records of accounts receivable. Accounts receivable and grants receivable balances were adjusted at June 30, 2009 by a net total of \$10,048.

Effect:

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

Cause:

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

Recommendation:

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

Management's Response:

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

REGIONAL OFFICE OF EDUCATION #1
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2009

Section II - Financial Statement Findings

FINDING NO. 09-3
Repeated from 08-4, 07-5,
06-5, 05-5

EXPENDITURE REPORTS DID NOT AGREE TO GENERAL LEDGER

Criteria/Specified Requirement:

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

Condition:

A comparison of expenditure reports to the Regional Office of Education #1's general ledger revealed instances where the totals on the final 2009 expenditure reports were not consistent with the Regional Office of Education #1's general ledger. While the following amounts are small, given the number of inconsistencies and historical nature of the finding (repeated several years) we noted the following:

- The expenditure report submitted to the Illinois State Board of Education for the Regional Safe Schools reported total expenditures of \$130,101, while the general ledger showed expenditures of \$130,119 (an \$18 difference).
- The expenditure report submitted to the Illinois State Board of Education for the ROE/ISC Operations program reported total expenditures of \$142,726, while the general ledger showed expenditures of \$142,608 (a \$118 difference).
- The expenditure report submitted to the Illinois State Board of Education for the English Language Learners program reported total expenditures of \$66,000, while the general ledger showed expenditures of \$66,649 (a \$649 difference).
- The expenditure report submitted to the Illinois State Board of Education for the Truants Alternative/Optional Education program reported total expenditures of \$80,118, while the general ledger showed expenditures of \$80,184 (a \$66 difference).
- The expenditure report submitted to the Illinois Department of Human Services for the Regional Office of Prevention Effectiveness Services program reported total expenditures of \$117,120, while the general ledger showed expenditures of \$117,289 (a \$169 difference).
- The expenditure report submitted to the Illinois Department of Human Services for the Special Education Grants Infants/Toddlers program reported total expenditures of \$417,955, while the general ledger showed expenditures of \$417,677 (a \$278 difference).

Effect:

Inaccurate expenditure reports were submitted, which could lead to granting agencies requesting reimbursements or adjusting the fiscal year 2010 grant amounts.

Cause:

The Regional Office of Education #1 personnel responsible for expenditure reports prepared the reports based on numbers that were not yet adjusted for all year-end adjustments.

Recommendation:

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

Management's Response:

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

REGIONAL OFFICE OF EDUCATION #1
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
June 30, 2009

Corrective Action Plan

Finding No. 09-1

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

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

Anticipated Completion Date: July 2009

Contact Name: Regional Superintendent Raymond Scheiter

Corrective Action Plan

Finding No. 09-2

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

- Numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles. Proposed adjusting entries changed the Regional Office's net assets by \$40,098.
- The Regional Office did not have adequate controls over the maintenance of records of accounts receivable. Accounts receivable and grants receivable balances were adjusted at June 30, 2009 by a net total of \$10,048.

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

Anticipated Completion Date: July 2009

Contact Name: Regional Superintendent Raymond Scheiter

REGIONAL OFFICE OF EDUCATION #1
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
June 30, 2009

Corrective Action Plan

Finding No. 09-3

Condition: A comparison of expenditure reports to the Regional Office of Education #1's general ledger revealed instances where the totals on the final 2009 expenditure reports were not consistent with the Regional Office of Education #1's general ledger. While the following amounts are small, given the number of inconsistencies and historical nature of the finding (repeated several years) we noted the following:

- The expenditure report submitted to the Illinois State Board of Education for the Regional Safe Schools reported total expenditures of \$130,101, while the general ledger showed expenditures of \$130,119 (an \$18 difference).
- The expenditure report submitted to the Illinois State Board of Education for the ROE/ISC Operations program reported total expenditures of \$142,726, while the general ledger showed expenditures of \$142,608 (a \$118 difference).
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- The expenditure report submitted to the Illinois State Board of Education for the Truants Alternative/Optional Education program reported total expenditures of \$80,118, while the general ledger showed expenditures of \$80,184 (a \$66 difference).
- The expenditure report submitted to the Illinois Department of Human Services for the Regional Office of Prevention Effectiveness Services program reported total expenditures of \$117,120, while the general ledger showed expenditures of \$117,289 (a \$169 difference).
- The expenditure report submitted to the Illinois Department of Human Services for the Special Education Grants Infants/Toddlers program reported total expenditures of \$417,955, while the general ledger showed expenditures of \$417,677 (a \$278 difference).

Plan: Accounting personnel will not prepare reports to the Illinois State Board of Education or the Illinois Department of Human Services until all year end adjustments have been made.

Anticipated Completion Date: July 2009

Contact Name: Regional Superintendent Raymond Scheiter

REGIONAL OFFICE OF EDUCATION #1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2009

<u>Prior Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
08-1	Transactions of two entities are recorded in one accounting system.	Repeated as 09-1
08-2	Unallowable finance charges and sales tax	Resolved
08-3	Controls over financial statement preparation	Repeated as 09-2
08-4	Expenditure reports did not agree to general ledger.	Repeated as 09-3

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Regional Office of Education #1 (ROE) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the ROE's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$506,784 in fiscal year 2008 (FY08) to \$508,338 in fiscal year 2009 (FY09), while General Fund expenditures increased from \$499,333 in FY08 to \$536,176 in FY09. This resulted in a decrease in the ROE's General Fund balance from \$177,401 in FY08 to \$149,563 in FY09, a 16% decrease from the prior year.
- Education Fund revenues increased from \$1,162,955 in fiscal year 2008 (FY08) to \$1,362,582 in fiscal year 2009 (FY09), while Education Fund expenditures increased from \$1,266,063 in FY08 to \$1,342,237 in FY09. This resulted in an increase in the Education Fund balance from \$238,478 in FY08 to \$258,823 in FY09, a 9% increase from the prior year.

USING THIS ANNUAL REPORT

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

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

REPORTING THE AGENCY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

Fund Financial Statements

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

The ROE has two kinds of funds:

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The ROE’s net assets at the end of FY09 totaled \$556,578. This is compared to \$590,136 at the end of FY08. The analysis that follows provides a summary of the ROE’s net assets at June 30, 2009 and 2008 for governmental activities.

Condensed Statement of Net Assets		
<u>Governmental Activities</u>		
	<u>2009</u>	<u>2008</u>
Current and other assets	\$581,799	\$566,210
Capital assets	<u>30,598</u>	<u>30,710</u>
Total assets	<u>612,397</u>	<u>596,920</u>
Other liabilities	<u>55,819</u>	6,784
Total liabilities	<u>55,819</u>	<u>6,784</u>
Net assets:		
Invested in capital assets	30,598	30,710
Unrestricted	503,508	526,991
Restricted for teacher professional development	<u>22,472</u>	<u>32,435</u>
Total net assets	<u>\$556,578</u>	<u>\$590,136</u>

The ROE’s combined net assets decreased by \$33,558 from FY08. The decrease occurred in the general fund and other non-major governmental funds as a result of increasing expenditures by a greater amount than the increase in revenues during the year ended June 30, 2009. In addition, net assets related to the Institute Fund are considered restricted for teacher professional development.

The following analysis shows the changes in net assets for the year ended June 30, 2009 and 2008.

Change in Net Assets		
<u>Governmental Activities</u>		
	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 1,278,292	\$ 1,134,116
General revenues:		
Registration, certification and permit fees	92,869	79,381
Local sources	260,186	257,164
State sources	142,726	143,878
On-behalf payments	237,983	242,423
Interest income	<u>591</u>	<u>14,116</u>
Total revenues	<u>2,012,647</u>	<u>1,871,078</u>
Program expenses:		
Instructional services	1,808,222	1,702,314
Administrative expenses:		
On-behalf payments - state	<u>237,983</u>	<u>242,423</u>
Total expenses	<u>2,046,205</u>	<u>1,944,737</u>
Change in net assets	(33,558)	(73,659)
Net assets, beginning of year	<u>590,136</u>	<u>663,795</u>
Net assets, end of year	<u>\$ 556,578</u>	<u>\$ 590,136</u>

Operating grants and contributions from local, state and federal sources account for 63.5% of the total revenue. The ROE’s expenses primarily relate to instructional services, which account for 88.4% of the total expenses.

Governmental activities

Revenues from governmental activities were \$2,012,647 and expenses were \$2,046,205. In a difficult budget year, the ROE was not able to keep expenditures below revenue which resulted in a decrease in net assets.

FINANCIAL ANALYSIS OF THE ROE'S FUNDS

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

The ROE's governmental funds reported combined fund balances of \$525,980, below last year's ending fund balances of \$559,426. The primary reason for the decrease in combined fund balances in FY09 was increased expenditures.

Governmental Fund Highlights

- General Fund revenues increased from \$506,784 in fiscal year 2008 (FY08) to \$508,338 in fiscal year 2009 (FY09), while General Fund expenditures increased from \$499,333 in FY08 to \$536,176 in FY09. The General Fund also had transfers in of \$0 in FY09 and \$3,084 FY08. This resulted in a decrease in the ROE's General Fund balance from \$177,401 in FY08 to \$149,563 in FY09, a 16% decrease from the prior year.
- The ROE's decreasing General Fund position is the product of many factors, including an increase in expenditures for services to school districts. Revenues and expenditures both increased for the fiscal year. Because expenditures exceeded revenues, a decrease in the general fund balance was realized.
- Education Fund revenues increased from \$1,162,955 in fiscal year 2008 (FY08) to \$1,362,582 in fiscal year 2009 (FY09), while Education Fund expenditures increased from \$1,266,063 in FY08 to \$1,342,237 in FY09. The Education Fund also had transfers in of \$0 in FY09 and \$563 FY08. This resulted in an increase in the Education Fund balance from \$238,478 in FY08 to \$258,823 in FY09, a 9% increase from the prior year.
- The ROE's increasing Education Fund position is the result of the revenues growing greater than the increase in expenditures during FY09.

BUDGETARY HIGHLIGHTS

The ROE was not required to adopt annual budgets for all funds under its control and is not legally required to do so. The ROE submits its budget to the State Board of Education and all other grantors that require it. The budgets may be amended during the year utilizing procedures prescribed by the particular grantor. Over the course of the year, the ROE amended certain operating budgets to reflect additional revenue and expenditures associated with the additional services needed and provided. Budgetary comparison schedules are provided in the financial statements on pages 45-49.

CAPITAL ASSETS

At June 30, 2009, the ROE had invested \$30,598, net of accumulated depreciation, in various capital assets including computers, furniture and equipment. Current year asset additions were \$17,762.

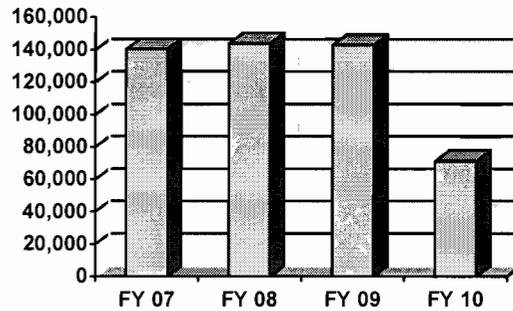
The ROE had depreciation expense of \$17,874 in FY09 and total accumulated depreciation of \$284,649 at June 30, 2009. More detailed information about capital assets is available in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

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

- The ROE experienced reduced funding for ROE operations in prior years, but had experienced small increases in the two years prior to FY09. In FY09, the ROE experienced reduced funding of \$1,152. For FY10, the ROE expects a drastic drop in funding for ROE operations.
- The ROE expects funding from the County to increase by approximately 3% per year for many years to come.

ROE Operations Grant



FY 07 \$140,380
FY 08 \$143,878
FY 09 \$142,726
FY 10 \$ 71,363

The ROE operations grant has decreased 49% through FY 10.

CONTACTING THE AGENCY’S FINANCIAL MANAGEMENT

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

Basic Financial Statements

REGIONAL OFFICE OF EDUCATION #1
STATEMENT OF NET ASSETS
JUNE 30, 2009

		Governmental Activities
ASSETS		
Current assets:		
Cash and cash equivalents	\$	348,883
Grants receivable		212,328
Accounts receivable		7,075
Due from other agency		12,490
Prepaid items		1,023
Total current assets		581,799
Noncurrent assets:		
Capital assets, net of depreciation		30,598
Total noncurrent assets		30,598
TOTAL ASSETS	\$	612,397
LIABILITIES		
Current liabilities		
Accounts payable	\$	55,319
Payroll taxes and liabilities payable		500
Total current liabilities		55,819
TOTAL LIABILITIES	\$	55,819
NET ASSETS		
Invested in capital assets	\$	30,598
Unrestricted net assets		503,508
Restricted for teacher professional development		22,472
TOTAL NET ASSETS	\$	556,578

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

REGIONAL OFFICE OF EDUCATION #1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General Fund	Education Fund	Other Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 86,835	\$ 172,144	\$ 89,904	\$ 348,883
Grants receivable	47,726	133,438	31,164	212,328
Accounts receivable	7,075	-	-	7,075
Due from other agency	12,490	-	-	12,490
Prepaid items	137	682	204	1,023
	<u>137</u>	<u>682</u>	<u>204</u>	<u>1,023</u>
TOTAL ASSETS	<u>\$ 154,263</u>	<u>\$ 306,264</u>	<u>\$ 121,272</u>	<u>\$ 581,799</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 4,200	\$ 47,441	\$ 3,678	\$ 55,319
Payroll taxes and liabilities payable	500	-	-	500
	<u>4,700</u>	<u>47,441</u>	<u>3,678</u>	<u>55,819</u>
TOTAL LIABILITIES	<u>4,700</u>	<u>47,441</u>	<u>3,678</u>	<u>55,819</u>
FUND BALANCES				
Fund balance - reserved	-	-	-	-
Fund balance - unreserved and undesignated	149,563	258,823	117,594	525,980
	<u>149,563</u>	<u>258,823</u>	<u>117,594</u>	<u>525,980</u>
TOTAL FUND BALANCES	<u>149,563</u>	<u>258,823</u>	<u>117,594</u>	<u>525,980</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 154,263</u>	<u>\$ 306,264</u>	<u>\$ 121,272</u>	<u>\$ 581,799</u>

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

REGIONAL OFFICE OF EDUCATION #1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total fund balances - governmental funds	\$ 525,980
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of assets is \$315,247 and the accumulated depreciation is \$284,649.	<u>30,598</u>
Net assets of governmental activities	<u><u>\$ 556,578</u></u>

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

REGIONAL OFFICE OF EDUCATION #1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Education Fund	Other Non-Major Funds	Total Governmental Funds
<u>Revenues:</u>				
Registration, certification and permit fees	\$ 36,653	\$ 7,329	\$ 48,887	\$ 92,869
Local sources	90,853	79,550	89,783	260,186
State sources	142,726	882,516	2,852	1,028,094
State sources - on behalf payments	237,983	-	-	237,983
Federal sources	-	392,924	-	392,924
Interest income	123	263	205	591
Total revenues	<u>508,338</u>	<u>1,362,582</u>	<u>141,727</u>	<u>2,012,647</u>
 <u>Expenditures:</u>				
Instructional services:				
Salaries and benefits	166,384	605,084	30,149	801,617
Salaries and benefits - on behalf payments	237,983	-	-	237,983
Purchased services	60,249	150,568	66,825	277,642
Travel and entertainment	22,602	70,308	9,209	102,119
Supplies and materials	2,467	32,310	5,551	40,328
Institute expenses and workshops	-	-	16,781	16,781
Communication	30,766	1,074	968	32,808
Postage and copies	5,892	10,647	-	16,539
Payments to other governmental units	-	461,885	-	461,885
Other	9,358	162	31,109	40,629
Capital outlay	475	10,199	7,088	17,762
Total expenditures	<u>536,176</u>	<u>1,342,237</u>	<u>167,680</u>	<u>2,046,093</u>
Net change in fund balances	(27,838)	20,345	(25,953)	(33,446)
Fund balance - beginning	<u>177,401</u>	<u>238,478</u>	<u>143,547</u>	<u>559,426</u>
Fund balance - ending	<u>\$ 149,563</u>	<u>\$ 258,823</u>	<u>\$ 117,594</u>	<u>\$ 525,980</u>

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

REGIONAL OFFICE OF EDUCATION #1
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

Net change in fund balances	\$	(33,446)
-----------------------------	----	----------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	17,762		
Depreciation expense	<u>(17,874)</u>	<u>(112)</u>	

Change in net assets of governmental activities	\$	<u>(33,558)</u>
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The notes to the financial statements are an integral part of this statement.

REGIONAL OFFICE OF EDUCATION #1
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2009

	<u>Agency Fund</u>
ASSETS	
Cash	\$ 144
	<hr/>
Total assets	<u>\$ 144</u>
LIABILITIES	
Accumulated interest payable	<u>\$ 144</u>
Total liabilities	<u>\$ 144</u>

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

REGIONAL OFFICE OF EDUCATION #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

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

Governmental Fund Types

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

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

Fiduciary Fund Types

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

REGIONAL OFFICE OF EDUCATION #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

B. Measurement Focus and Basis of Accounting

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

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

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

Under the terms of grant agreements, the Regional Office of Education #1 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 Regional Office of Education #1's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

REGIONAL OFFICE OF EDUCATION #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Financial Reporting Entity

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

For the period ended June 30, 2009, the Regional Office of Education #1 applied for, received, and administered numerous State and Federal programs and grants in assistance and support of educational activities of the school districts in Regional Office of Education #1. Such activities are reported as a single major special revenue fund (the Education Fund).

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

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

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

REGIONAL OFFICE OF EDUCATION #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Government-wide Statements

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

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

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

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

E. Budgets and budgetary accounting

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

Administrators Academy
Regional Office of Prevention Effectiveness Services
Truants Alternative and Optional Education
Student Assistance Program
McKinney Education for Homeless
Regional Safe Schools
Special Education Grants Infant/ Toddler
English Language Learners
Language Instruction Program for Limited English Proficient Students
Teachers and Administrators Mentoring Program

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

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

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

REGIONAL OFFICE OF EDUCATION #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 2 - DESCRIPTION OF FUNDS

The Education funds are used to account for various grants supporting education enhancement programs and are major special revenue funds. The following is a brief description of each of the current Regional Office of Education #1 Education funds:

- A. Administrators Academy - The Regional Office of Education #1 received a State grant to provide workshops for area teachers.
- B. Regional Office of Prevention Effectiveness Services - This is a State grant to provide substance abuse prevention for youth ages 10-17 in Calhoun, Greene, Cass and Morgan Counties.
- C. Truants Alternative and Optional Education Program - This was a State grant to provide counseling and incentives for problem students.
- D. Standards Aligned Classrooms - The Regional Superintendent of Schools received a grant from Regional Office of Education #11 to provide funds to insure that State standards are being achieved in the classroom.
- E. General State Aid – This fund maintains revenues received from the State Board of Education earned on a per child basis and administers related program expenditures.
- F. Student Assistance Program – This was a State grant to provide substance abuse prevention for youth ages 10-17 in Adams and Pike Counties.
- G. State Free Lunch and Breakfast – This was a State grant that provides free lunches and breakfasts to student’s eligibile to receive free meals.
- H. Truancy Reduction – A grant to improve daily school attendance.
- I. National School Lunch Program – This was a federal grant that provides nutritionally balanced, low-cost or free lunches to children each school day.
- J. McKinney Education for Homeless Children– The Regional Office of Education #1 received a State grant to provide for a local homeless liaison to help homeless students in the region.
- K. Regional Safe Schools - The Regional Office of Education #1 receives a grant to assist in making schools safer. The agency is currently contracting with Quincy #172 and Pikeland to maintain the program.
- L. Bilingual Education – A grant to provide professional development for teachers of English language learners.
- M. Technology Prep Additional – A program which funds a college sponsored workshop for technology teacher education.
- N. School Breakfast Program – A federal grant that provides cash assistance to States to operate nonprofit breakfast programs in schools.
- O. Special Education Grants Infant/Toddler - The Regional Office of Education #1 received a federal grant provided by the Department of Human Services to fund a program for pre-school children with disabilities.

REGIONAL OFFICE OF EDUCATION #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 2 - DESCRIPTION OF FUNDS (Continued)

- P. American Recovery and Reinvestment Act – General State Aid – A federal grant used to support payments of the General State Aid formula to the Regional Office of Education #1.
- Q. Learn and Serve America – The Regional Office of Education #1 received a federal grant to provide children in alternative education an opportunity to perform community service.
- R. Schools Against Fearful Environments – A program that provides security service from the Sheriff's Department to local school districts.
- S. English Language Learners – The Regional Office of Education #1 received a federal grant to help teachers work with non-English-speaking immigrants.
- T. Language Instruction Program for Limited English Proficient Students – The Regional Office of Education #1 received a federal grant to train teachers to deal with the children of immigrant workers.
- U. System of Support – The Regional Office of Education #1 received a grant to assist schools and improve annual school planning.
- V. Teachers and Administrators Mentoring Program – A two-year comprehensive induction/mentoring program based on the State-approved Induction for the 21st Century Educator model.

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

- W. Institute Fund (Adams and Pike Counties) - The Institute Fund is authorized by Section 3-12 of The School Code of Illinois (Illinois. Rev. Stat. 1987, ch. 122, para. 3-12). All examination, registration and renewal fees are paid into the Institute Fund, which is used to defray administrative expenses incidental to teacher's institutes, workshops, or meetings of a professional nature. All funds generated remain restricted until expended only on the aforementioned activities.
- X. General Education Development Fund - This fund was established to administer the high school level test of General Education Development.
- Y. Supervisory Fund – A State grant to provide for the travel of the Regional Superintendent.
- Z. Bus Driver Fees - This fund is financed by bus driver permit fees, which are used for training purposes.
- AA. Miscellaneous Fund – This fund represents an accumulation of unused grant funds from programs that no longer exist.
- BB. Pike Co. Film Cooperative Fund - This fund is financed by contributions from the six member schools within Pike County based on an amount equal to \$1.25 per enrolled student.
- CC. Fingerprinting - This fund performs fingerprint-based criminal history record checks.

REGIONAL OFFICE OF EDUCATION #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 2 - DESCRIPTION OF FUNDS (Continued)

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

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

Note 3 – CASH AND CASH EQUIVALENTS

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Regional Office of Education #1's deposits may not be returned to it. The Regional Office of Education #1 does not have a deposit policy for custodial credit risk. At June 30, 2009, the carrying amount of the Regional Office of Education #1 deposits was \$349,027 (including \$144 of fiduciary fund cash) and the bank balance was \$578,455. Of the total bank balances as of June 30, 2009, \$272,287 was secured by federal depository insurance, \$249,099 by the Temporary Liquidity Guarantee Program, and \$57,069 was held in the Illinois Funds Money Market. The Temporary Liquidity Guarantee Program is a program that guarantee's all deposits in non interest-bearing transaction deposit accounts held in domestic offices of participating FDIC-insured institutions.

B. Investments

The Regional Office of Education #1 does not have a formal investment policy, as its only investments are internally pooled in the Illinois Funds Money Market Fund. As of June 30, 2009, the Regional Office of Education #1 had investments with carrying and fair values of \$57,069 invested in the Illinois Funds Money Market.

Credit Risk

At June 30, 2009, the Illinois Funds Money Market Fund had a Standards and Poor's AAA rating. The pool is audited annually by an outside independent auditor, and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investments Act, 30 ILCS 235. All investments are fully collateralized.

Interest Rate Risk

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

Concentration of Credit Risk

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

REGIONAL OFFICE OF EDUCATION #1
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009

Note 4 - OTHER REQUIRED FUND DISCLOSURES

Deficit fund balances at June 30, 2009 are as follows:

Regional Office of Prevention Effectiveness Services	\$ 2,679
McKinney Education for Homeless	\$ 8
Special Education Grants Infants/Toddlers	\$ 9,986
English Language Learners	\$ 587

Note 5 - COMPENSATED ABSENCES

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

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

Note 6 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Note 7 - ON-BEHALF PAYMENTS

Regional Superintendent Salary	\$ 96,435
Regional Superintendent Fringe Benefits (includes State paid insurance)	19,427
Assistant Regional Superintendent Salary	86,791
Assistant Regional Superintendent Fringe Benefits (includes State paid insurance)	18,799
Pension contributions for Regional Office of Education #1 participants in the Teachers' Retirement System	<u>16,531</u>
Total	<u>\$ 237,983</u>

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

REGIONAL OFFICE OF EDUCATION #1
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009

Note 8 - OPERATING LEASES

At June 30, 2009, the Regional Office of Education was a party to the following lease agreements:

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

Future minimum lease payments are as follows:

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

Note 9 - CAPITAL ASSETS

A summary of capital assets follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
<i>Capital assets being depreciated:</i>				
Office furniture	23,772	-	-	23,772
Office Equipment	273,713	17,762	-	291,475
Total capital assets being depreciated	297,485	17,762	-	315,247
<i>Less accumulated depreciation for:</i>				
Office furniture	23,194	116	-	23,310
Office Equipment	243,581	17,758	-	261,339
Total accumulated depreciation	266,775	17,874	-	284,649
Governmental activity capital assets, net	\$ 30,710	\$ (112)	\$ -	\$ 30,598

Depreciation policies are disclosed in Note 1. Depreciation expense for the fiscal year ended June 30, 2009, was \$17,874.

Note 10 – DISTRIBUTIVE FUND INTEREST

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

REGIONAL OFFICE OF EDUCATION #1
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009

Note 11 - DUE FROM WCR

At June 30, 2009, the Regional Office of Education #1 was due \$12,490 from the West Central Region #240. These monies were due for payroll expenses paid by the Regional Office of Education for the benefit of the West Central Region #240.

Note 12 - DEFINED BENEFIT PENSION PLAN

Plan Description. The Employer'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 employer 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 on-line at www.imrf.org.

Funding Policy. As set by statute, the employer Regular plan members are required to contribute 4.50% 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 employees. The employer contribution rate for calendar year 2008, based on the 2006 valuation, was 3.68% of payroll. The employer 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. For 2008, The employer's annual pension cost of \$22,145 for the Regular plan was equal to the employer's required and actual contributions.

Three-Year Trend Information for the Regular Plan			
Actuarial Valuation <u>Date</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12-31-08	22,145	100%	\$ 0
12-31-07	22,933	100%	0
12-31-06	17,768	100%	0

The required contribution for 2008 was determined as part of the December 31, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2006, included (a) 7.50% investment rate of return (net of administrative expenses and direct investment expenses), (b) projected salary increases of 4.00% per year, attributable to inflation (c) additional projected salary increases ranging from .4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the employer 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 employer Regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2006, was 2 years.

REGIONAL OFFICE OF EDUCATION #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 12 - DEFINED BENEFIT PENSION PLAN (Continued)

Funded Status and Funding Progress. As of December 31, 2008, the most recent actuarial valuation date, the Regular plan was 87.15 percent funded. The actuarial accrued liability for benefits was \$910,330 and the actuarial value of assets was \$793,365, resulting in an underfunded actuarial accrued liability (UAAL) of \$116,965. The covered payroll (annual payroll of active employees covered by the plan) was \$601,769 and the ratio of the UAAL to covered payroll was 19 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 13 - TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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

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

TRS members include all active non-annuitants who are employed by the TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 2009 was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4 percent for the years ended June 30, 2008 and 2007.

In addition, virtually all employers and members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of the retirement plan. The employer THIS Fund contribution was 0.84 percent during the year ended June 30, 2009, and the member THIS Fund health insurance contribution was 0.63 percent.

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

- **On-behalf contributions.** The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #1. For the year ended June 30, 2009, State of Illinois contributions were based on 17.08 percent of creditable earnings, and the Regional Office of Education #1 recognized revenue and expenditures of \$16,531 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2008, and June 30, 2007, the State of Illinois contribution rates as percentages of creditable earnings were 13.11 percent (\$9,836) and 9.78 percent (\$14,406), respectively.

The state contributions to TRS for the years ended June 30, 2009, June 30, 2008 and June 30, 2007 were based on dollar amounts specified by the statute and were not actuarially determined.

REGIONAL OFFICE OF EDUCATION #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 13 - TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

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

- **2.2 formula contributions.** Employers contribute 0.58 percent of creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2009 were \$527. Contributions for the years ending June 30, 2008, and June 30, 2007, were \$347 and \$342, respectively.
- **Federal and trust fund contributions.** When TRS members are paid from federal and special trust funds administered by the Regional Office of Education #1, there is a statutory requirement for the Regional Office of Education #1 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2009, employer contributions for employees paid from federal and trust funds will be the same as the state contribution rate of TRS.

For the year ended June 30, 2009, the employer pension contribution was 17.08 percent of salaries paid from federal and trust funds. For the year ended June 30, 2008, the employer contribution was 13.11 percent of salaries paid from federal and trust funds. For the year ended June 30, 2007, the employer pension contribution was 9.78 percent of salaries paid from those funds. For the year ended June 30, 2009 salaries totaling \$46,762 were paid from federal and trust funds that required employer contributions of \$7,987. For the years ended June 30, 2008 and June 30, 2007, required contributions were \$2,983 and \$2,131, respectively.

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

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

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

Under the Modified ERO, the maximum employer contribution is 117.5 percent. Both the 100 percent and 117.5 percent maximum apply when the member is age 55 at retirement. For the three years ended June 30, 2009, the Regional Office of Education #1 paid no employer contributions under the Early Retirement Option.

REGIONAL OFFICE OF EDUCATION #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 13 - TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

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

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

For the three years ended June 30, 2009, the Regional Office of Education #1 paid no employer contributions under salary increases over 6 percent.

If an employer grants sick leave days in excess of normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary used to calculate final average salary, and the TRS total normal cost rate (18.67 percent of salary during the year ended June 30, 2009).

For the three years ended June 30, 2009, the Regional Office of Education #1 paid no employer contributions under excess sick leave.

TRS financial information, an explanation of TRS benefits, and descriptions of members, employer and state funding requirements can be found in the *TRS Comprehensive Annual Financial Report* for the year ended June 30, 2008. The report for the year ended June 30, 2009, is expected to be available in late 2009. The reports may be obtained in writing to the Teacher's Retirement System of the State of Illinois, PO Box 19253, 2815 West Washington Street, Springfield, Illinois 62794-9253. The most current report is also available on the TRS web site at www.trs.illinois.gov.

Note 14 - NEW ACCOUNTING PRONOUNCEMENT

Effective for the year ending June 30, 2009, the Regional Office of Education #1 adopted the following GASB Statements:

- a) GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.
- b) GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*.
- c) GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.
- d) GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*.

There was no significant impact on the Regional Office of Education #1's financial statements as a result of adopting statements 49, 52, 55 and 56.

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

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
12/31/2008	793,365	910,330	116,965	87.15%	601,769	19.44%
12/31/2007	873,007	796,119	(76,888)	109.66%	546,015	0%
12/31/2006	758,337	677,608	(80,729)	111.91%	565,850	0%

SUPPLEMENTAL INFORMATION

REGIONAL OFFICE OF EDUCATION #1
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2009

	Administrators Academy	Regional Office of Prevention Effectiveness Services	Truants Alternative and Optional Education	Standards Aligned Classrooms	General State Aid	Student Assistance Program	State Free Lunch and Breakfast	Truancy Reduction	National School Lunch Program	McKinney Education for Homeless	Regional Safe Schools	Bilingual Education
ASSETS												
Cash and cash equivalents	\$ 1	\$ (16,393)	\$ (21,498)	\$ -	\$ 259,625	\$ 1,249	\$ 624	\$ 940	\$ 1,843	\$ 869	\$ (5,323)	\$ 111
Grants receivable	-	19,029	21,498	-	-	-	230	-	-	-	40,101	-
Prepaid items	-	109	136	-	-	55	-	-	-	-	-	-
Total assets	<u>\$ 1</u>	<u>\$ 2,745</u>	<u>\$ 136</u>	<u>\$ -</u>	<u>\$ 259,625</u>	<u>\$ 1,304</u>	<u>\$ 854</u>	<u>\$ 940</u>	<u>\$ 1,843</u>	<u>\$ 869</u>	<u>\$ 34,778</u>	<u>\$ 111</u>
LIABILITIES AND FUND BALANCE												
Liabilities												
Accounts payable	\$ -	\$ 5,424	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 877	\$ 32,526	\$ -
Total liabilities	-	5,424	-	-	-	-	-	-	-	877	32,526	-
Fund balances												
Fund balance - reserved	-	-	-	-	-	-	-	-	-	-	-	-
Fund balance - unreserved	1	(2,679)	136	-	259,625	1,304	854	940	1,843	(8)	2,252	111
Total fund balance (deficit)	1	(2,679)	136	-	259,625	1,304	854	940	1,843	(8)	2,252	111
Total liabilities and fund balance	<u>\$ 1</u>	<u>\$ 2,745</u>	<u>\$ 136</u>	<u>\$ -</u>	<u>\$ 259,625</u>	<u>\$ 1,304</u>	<u>\$ 854</u>	<u>\$ 940</u>	<u>\$ 1,843</u>	<u>\$ 869</u>	<u>\$ 34,778</u>	<u>\$ 111</u>

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2009

	Tech. Prep Additional	School Breakfast Program	Special Education Grants Infant/Toddler	ARRA - General State Aid	Learn and Serve America	SAFE Program	English Language Learners	LIPLEPS	System of Support	Teachers and Administrators Mentoring Program	Combined Total
ASSETS											
Cash and cash equivalents	\$ 3,312	\$ 52	\$ (45,093)	\$ 2	\$ -	\$ 1,650	\$ (587)	\$ 3,655	\$ (11,368)	\$ (1,527)	\$ 172,144
Grants receivable	-	-	39,685	-	-	-	-	-	11,368	1,527	133,438
Prepaid items	-	-	382	-	-	-	-	-	-	-	682
Total assets	\$ 3,312	\$ 52	\$ (5,026)	\$ 2	\$ -	\$ 1,650	\$ (587)	\$ 3,655	\$ -	\$ -	\$ 306,264
LIABILITIES AND FUND BALANCE											
Liabilities											
Accounts payable	\$ -	\$ -	\$ 4,960	\$ -	\$ -	\$ -	\$ -	\$ 3,654	\$ -	\$ -	\$ 47,441
Total liabilities	-	-	4,960	-	-	-	-	3,654	-	-	47,441
Fund balances											
Fund balance - reserved	-	-	-	-	-	-	-	-	-	-	-
Fund balance - unreserved	3,312	52	(9,986)	2	-	1,650	(587)	1	-	-	258,823
Total fund balance (deficit)	3,312	52	(9,986)	2	-	1,650	(587)	1	-	-	258,823
Total liabilities and fund balance	\$ 3,312	\$ 52	\$ (5,026)	\$ 2	\$ -	\$ 1,650	\$ (587)	\$ 3,655	\$ -	\$ -	\$ 306,264

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1
 COMBINING SCHEDULE OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2009

	Administrators Academy	Regional Office of Prevention Effectiveness Services	Truants Alternative and Optional Education	Standards Aligned Classrooms	General State Aid	Student Assistance Program	State Free Lunch and Breakfast	Truancy Reduction	National School Lunch Program	McKinney Education for Homeless	Regional Safe Schools	Bilingual Education
Revenues												
Registration, certification and permit fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	17,674	-	-	-	-	-	940	-	-	-	178
State sources	20,000	92,864	80,118	-	173,164	70,700	854	-	-	-	130,101	-
Federal sources	-	24,518	-	-	-	-	-	-	10,833	12,482	-	-
Interest income	1	-	-	-	234	2	-	-	1	-	1	1
Total revenues	<u>20,001</u>	<u>135,056</u>	<u>80,118</u>	<u>-</u>	<u>173,398</u>	<u>70,702</u>	<u>854</u>	<u>940</u>	<u>10,834</u>	<u>12,482</u>	<u>130,102</u>	<u>179</u>
Expenditures												
Salaries and benefits	17,689	84,068	71,580	-	-	50,353	-	-	-	10,250	-	-
Purchased services	1,022	7,864	2,577	164	4,218	7,027	-	-	-	-	15	-
Travel and entertainment	976	19,261	4,277	-	4,702	11,293	-	-	-	520	-	-
Supplies and materials	6	5,934	402	-	-	2,028	-	-	8,991	820	-	-
Institute expenses and workshops	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	9,724	-	-	-	-	-	-	-
Communication	307	-	767	-	-	-	-	-	-	-	-	-
Postage and copies	-	-	581	-	9,166	-	-	-	-	900	-	-
Payment to other governmental units	-	4,378	-	-	144,680	-	-	-	-	-	130,104	888
Other	-	162	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>20,000</u>	<u>121,667</u>	<u>80,184</u>	<u>164</u>	<u>172,490</u>	<u>70,701</u>	<u>-</u>	<u>-</u>	<u>8,991</u>	<u>12,490</u>	<u>130,119</u>	<u>888</u>
Net changes in fund balances	1	13,389	(66)	(164)	908	1	854	940	1,843	(8)	(17)	(709)
Fund balance - July 1, 2008	-	(16,068)	202	164	258,717	1,303	-	-	-	-	2,269	820
Fund balance - June 30, 2009	<u>\$ 1</u>	<u>\$ (2,679)</u>	<u>\$ 136</u>	<u>\$ -</u>	<u>\$ 259,625</u>	<u>\$ 1,304</u>	<u>\$ 854</u>	<u>\$ 940</u>	<u>\$ 1,843</u>	<u>\$ (8)</u>	<u>\$ 2,252</u>	<u>\$ 111</u>

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1
 COMBINING SCHEDULE OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2009

	Tech. Prep Additional	School Breakfast Program	Special Education Grants Infant/Toddler	ARRA - General State Aid	Learn and Serve America	SAFE Program	English Language Learners	LIPLEPS	System of Support	Teachers and Administrators Mentoring Program	Combined Total
Revenues											
Registration, certification and permit fees	\$ 7,329	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,329
Local sources	-	-	2,069	-	-	45,818	-	-	12,871	-	79,550
State sources	-	-	310,018	-	-	-	-	-	3,170	1,527	882,516
Federal sources	-	3,834	148,667	51,192	-	-	66,000	48,546	26,852	-	392,924
Interest income	4	-	1	2	-	13	2	1	-	-	263
Total revenues	<u>7,333</u>	<u>3,834</u>	<u>460,755</u>	<u>51,194</u>	<u>-</u>	<u>45,831</u>	<u>66,002</u>	<u>48,547</u>	<u>42,893</u>	<u>1,527</u>	<u>1,362,582</u>
Expenditures											
Salaries and benefits	-	-	288,591	-	-	-	44,380	-	36,646	1,527	605,084
Purchased services	8,127	-	99,897	-	-	-	19,657	-	-	-	150,568
Travel and entertainment	-	-	24,164	-	-	-	-	-	5,115	-	70,308
Supplies and materials	-	3,782	7,078	-	-	-	2,612	-	657	-	32,310
Institute expenses and workshops	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	475	-	10,199
Communication	-	-	-	-	-	-	-	-	-	-	1,074
Postage and copies	-	-	-	-	-	-	-	-	-	-	10,647
Payment to other governmental units	-	-	35,454	51,192	1	45,000	1,642	48,546	-	-	461,885
Other	-	-	-	-	-	-	-	-	-	-	162
Total expenditures	<u>8,127</u>	<u>3,782</u>	<u>455,184</u>	<u>51,192</u>	<u>1</u>	<u>45,000</u>	<u>68,291</u>	<u>48,546</u>	<u>42,893</u>	<u>1,527</u>	<u>1,342,237</u>
Net changes in fund balances	(794)	52	5,571	2	(1)	831	(2,289)	1	-	-	20,345
Fund balance - July 1, 2008	4,106	-	(15,557)	-	1	819	1,702	-	-	-	238,478
Fund balance - June 30, 2009	<u>\$ 3,312</u>	<u>\$ 52</u>	<u>\$ (9,986)</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 1,650</u>	<u>\$ (587)</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258,823</u>

REGIONAL OFFICE OF EDUCATION #1
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2009

Administrators Academy			
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local sources	\$ -	\$ -	\$ -
State sources	20,000	20,000	-
Federal sources	-	-	-
Interest income	-	1	1
Total revenues	20,000	20,001	1
Expenditures:			
Salaries and benefits	18,101	17,689	412
Purchased services	1,899	1,022	877
Travel and entertainment	-	976	(976)
Supplies and materials	-	6	(6)
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	307	(307)
Postage and copies	-	-	-
Payment to other governmental units	-	-	-
Other	-	-	-
Total expenditures	20,000	20,000	-
Net change in fund balances	\$ -	1	\$ 1
Fund balance, July 1, 2008		-	
Fund balance, June 30, 2009		<u>\$ 1</u>	

Regional Office of Prevention Effectiveness Services			
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local sources	\$ -	\$ 17,674	\$ 17,674
State sources	90,411	92,864	2,453
Federal sources	24,518	24,518	-
Interest income	-	-	-
Total revenues	114,929	135,056	20,127
Expenditures:			
Salaries and benefits	79,534	84,068	(4,534)
Purchased services	8,661	7,864	797
Travel and entertainment	20,244	19,261	983
Supplies and materials	6,490	5,934	556
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	-	-
Postage and copies	-	-	-
Payment to other governmental units	-	4,378	(4,378)
Other	-	162	(162)
Total expenditures	114,929	121,667	(6,738)
Net change in fund balances	\$ -	13,389	\$ 13,389
Fund balance, July 1, 2008		(16,068)	
Fund balance, June 30, 2009		<u>\$ (2,679)</u>	

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2009

	Truants Alternative and Optional Education		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local sources	\$ -	\$ -	\$ -
State sources	80,118	80,118	-
Federal sources	-	-	-
Interest income	-	-	-
Total revenues	80,118	80,118	-
Expenditures:			
Salaries and benefits	68,334	71,580	(3,246)
Purchased services	9,284	2,577	6,707
Travel and entertainment	-	4,277	(4,277)
Supplies and materials	2,500	402	2,098
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	767	(767)
Postage and copies	-	581	(581)
Payment to other governmental units	-	-	-
Other	-	-	-
Total expenditures	80,118	80,184	(66)
Net change in fund balances	\$ -	(66)	\$ (66)
Fund balance, July 1, 2008		202	
Fund balance, June 30, 2009		<u>\$ 136</u>	

	Student Assistance Program		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local sources	\$ -	\$ -	\$ -
State sources	70,700	70,700	-
Federal sources	-	-	-
Interest income	-	2	2
Total revenues	70,700	70,702	2
Expenditures:			
Salaries and benefits	54,047	50,353	3,694
Purchased services	7,728	7,027	701
Travel and entertainment	7,525	11,293	(3,768)
Supplies and materials	1,400	2,028	(628)
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	-	-
Postage and copies	-	-	-
Payment to other governmental units	-	-	-
Other	-	-	-
Total expenditures	70,700	70,701	(1)
Net change in fund balances	\$ -	1	\$ 1
Fund balance, July 1, 2008		1,303	
Fund balance, June 30, 2009		<u>\$ 1,304</u>	

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2009

McKinney Education for Homeless			
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local sources	\$ -	\$ -	\$ -
State sources	-	-	-
Federal sources	12,490	12,482	(8)
Interest income	-	-	-
Total revenues	12,490	12,482	(8)
Expenditures:			
Salaries and benefits	10,536	10,250	286
Purchased services	1,554	-	1,554
Travel and entertainment	-	520	(520)
Supplies and materials	400	820	(420)
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	-	-
Postage and copies	-	900	(900)
Payment to other governmental units	-	-	-
Other	-	-	-
Total expenditures	12,490	12,490	-
Net change in fund balances	\$ -	(8)	\$ (8)
Fund balance, July 1, 2008		-	
Fund balance, June 30, 2009		<u>\$ (8)</u>	

Regional Safe Schools			
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local sources	\$ -	\$ -	\$ -
State sources	130,101	130,101	-
Federal sources	-	-	-
Interest income	-	1	1
Total revenues	130,101	130,102	1
Expenditures:			
Salaries and benefits	-	-	-
Purchased services	-	15	(15)
Travel and entertainment	-	-	-
Supplies and materials	-	-	-
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	-	-
Postage and copies	-	-	-
Payment to other governmental units	130,101	130,104	(3)
Other	-	-	-
Total expenditures	130,101	130,119	(18)
Net change in fund balances	\$ -	(17)	\$ (17)
Fund balance, July 1, 2008		2,269	
Fund balance, June 30, 2009		<u>\$ 2,252</u>	

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2009

	Special Education Grants Infant/Toddler		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local sources	\$ -	\$ 2,069	\$ 2,069
State sources	378,414	310,018	(68,396)
Federal sources	53,586	148,667	95,081
Interest income	-	1	1
Total revenues	432,000	460,755	28,755
Expenditures:			
Salaries and benefits	297,027	288,591	8,436
Purchased services	102,817	99,897	2,920
Travel and entertainment	24,871	24,164	707
Supplies and materials	7,285	7,078	207
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	-	-
Postage and copies	-	-	-
Payment to other governmental units	-	35,454	(35,454)
Other	-	-	-
Total expenditures	432,000	455,184	(23,184)
Net change in fund balances	\$ -	5,571	\$ 5,571
Fund balance, July 1, 2008		(15,557)	
Fund balance, June 30, 2009		<u>\$ (9,986)</u>	

	English Language Learners		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local sources	\$ -	\$ -	\$ -
State sources	-	-	-
Federal sources	66,000	66,000	-
Interest income	-	2	2
Total revenues	66,000	66,002	2
Expenditures:			
Salaries and benefits	44,831	44,380	451
Purchased services	19,169	19,657	(488)
Travel and entertainment	-	-	-
Supplies and materials	2,000	2,612	(612)
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	-	-
Postage and copies	-	-	-
Payment to other governmental units	-	1,642	(1,642)
Other	-	-	-
Total expenditures	66,000	68,291	(2,291)
Net change in fund balances	\$ -	(2,289)	\$ (2,289)
Fund balance, July 1, 2008		1,702	
Fund balance, June 30, 2009		<u>\$ (587)</u>	

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2009

	LIPLEPS		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local sources	\$ -	\$ -	\$ -
State sources	-	-	-
Federal sources	48,546	48,546	-
Interest income	-	1	1
Total revenues	48,546	48,547	1
Expenditures:			
Salaries and benefits	-	-	-
Purchased services	-	-	-
Travel and entertainment	-	-	-
Supplies and materials	-	-	-
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	-	-
Postage and copies	-	-	-
Payment to other governmental units	48,546	48,546	-
Other	-	-	-
Total expenditures	48,546	48,546	-
Net change in fund balances	\$ -	1	\$ 1
Fund balance, July 1, 2008		-	
Fund balance, June 30, 2009		<u>\$ 1</u>	

	Teachers and Administrators Mentoring Program		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local sources	\$ -	\$ -	\$ -
State sources	30,486	1,527	(28,959)
Federal sources	-	-	-
Interest income	-	-	-
Total revenues	30,486	1,527	(28,959)
Expenditures:			
Salaries and benefits	3,198	1,527	1,671
Purchased services	24,508	-	24,508
Travel and entertainment	-	-	-
Supplies and materials	2,780	-	2,780
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	-	-
Postage and copies	-	-	-
Payment to other governmental units	-	-	-
Other	-	-	-
Total expenditures	30,486	1,527	28,959
Net change in fund balances	\$ -	-	\$ -
Fund balance, July 1, 2008		-	
Fund balance, June 30, 2009		<u>\$ -</u>	

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2009

	Institute Funds Adams County	Institute Funds Pike County	General Education Development Fund	Supervisory Fund	Bus Driver Fees	Miscellaneous Fund	Pike County Film Cooperative Fund	Fingerprinting	TOTAL
ASSETS									
Cash and cash equivalents	\$ 10,574	\$ 11,898	\$ 7,519	\$ 1	\$ 14,609	\$ 32,489	\$ 5,960	\$ 6,854	\$ 89,904
Grants receivable	-	-	-	-	-	31,164	-	-	31,164
Prepaid items	-	-	-	-	-	204	-	-	204
Total assets	\$ 10,574	\$ 11,898	\$ 7,519	\$ 1	\$ 14,609	\$ 63,857	\$ 5,960	\$ 6,854	\$ 121,272
LIABILITIES AND FUND BALANCE									
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,586	\$ -	\$ 1,092	\$ 3,678
Total liabilities	-	-	-	-	-	2,586	-	1,092	3,678
Fund balance (deficit)									
Reserved for grant programs	-	-	-	-	-	-	-	-	-
Unreserved - undesignated (deficit)	10,574	11,898	7,519	1	14,609	61,271	5,960	5,762	117,594
Total fund balance (deficit)	10,574	11,898	7,519	1	14,609	61,271	5,960	5,762	117,594
Total liabilities and fund balance	\$ 10,574	\$ 11,898	\$ 7,519	\$ 1	\$ 14,609	\$ 63,857	\$ 5,960	\$ 6,854	\$ 121,272

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

	Institute Funds Adams County	Institute Funds Pike County	General Education Development Fund	Supervisory Fund	Bus Driver Fees	Miscellaneous Fund	Pike County Film Cooperative Fund	Fingerprinting	TOTAL
Revenues:									
Registration, certification and permit fees	\$ 3,872	\$ 4,214	\$ 17,040	\$ -	\$ 1,156	\$ -	\$ -	\$ 22,605	\$ 48,887
Local sources	-	-	-	-	-	87,770	2,013	-	89,783
State sources	-	-	-	2,000	852	-	-	-	2,852
Interest income	11	11	6	1	13	152	9	2	205
Total revenues	<u>3,883</u>	<u>4,225</u>	<u>17,046</u>	<u>2,001</u>	<u>2,021</u>	<u>87,922</u>	<u>2,022</u>	<u>22,607</u>	<u>141,727</u>
Expenditures:									
Salaries and benefits	-	-	-	-	-	30,149	-	-	30,149
Purchased services	-	-	9,232	-	1,061	39,687	-	16,845	66,825
Travel and entertainment	1,290	-	2,530	2,000	619	2,770	-	-	9,209
Supplies and materials	-	-	378	-	-	2,726	2,447	-	5,551
Institute expenses and workshops	13,437	3,344	-	-	-	-	-	-	16,781
Capital outlay	-	-	-	-	-	7,088	-	-	7,088
Communication	-	-	724	-	-	-	244	-	968
Postage and copies	-	-	-	-	-	-	-	-	-
Payment to other government units	-	-	-	-	-	-	-	-	-
Other	-	-	3,184	-	-	27,925	-	-	31,109
Total expenditures	<u>14,727</u>	<u>3,344</u>	<u>16,048</u>	<u>2,000</u>	<u>1,680</u>	<u>110,345</u>	<u>2,691</u>	<u>16,845</u>	<u>167,680</u>
Net changes in fund balances	(10,844)	881	998	1	341	(22,423)	(669)	5,762	(25,953)
Fund balance - July 1, 2008	<u>21,418</u>	<u>11,017</u>	<u>6,521</u>	<u>-</u>	<u>14,268</u>	<u>83,694</u>	<u>6,629</u>	<u>-</u>	<u>143,547</u>
Fund balance - June 30, 2009	<u>\$ 10,574</u>	<u>\$ 11,898</u>	<u>\$ 7,519</u>	<u>\$ 1</u>	<u>\$ 14,609</u>	<u>\$ 61,271</u>	<u>\$ 5,960</u>	<u>\$ 5,762</u>	<u>\$ 117,594</u>

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2009

<u>DISTRIBUTIVE FUND</u>	Balance			Balance
	July 1, 2008	Additions	Reductions	June 30, 2009
<u>ASSETS</u>				
Cash	\$ 1,274	\$ 1,219,516	\$ 1,220,646	\$ 144
Total assets	<u>1,274</u>	<u>1,219,516</u>	<u>1,220,646</u>	<u>144</u>
<u>LIABILITIES</u>				
Accumulated interest payable	\$ 1,274	\$ -	\$ 1,130	\$ 144
Total liabilities	<u>\$ 1,274</u>	<u>\$ -</u>	<u>\$ 1,130</u>	<u>\$ 144</u>

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1
SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
DISTRIBUTIVE FUND
FOR THE YEAR ENDED JUNE 30, 2009

	West Central Region #240	ROE #1	Totals
Alternative Education	\$ -	\$ 90,000	\$ 90,000
General State Aid	-	173,164	173,164
ARRA - General State Aid	-	51,192	51,192
School Breakfast Program	-	3,834	3,834
National School Lunch Program	-	10,833	10,833
State Free Lunch and Breakfast	-	624	624
ROE/ISC Operations	-	95,000	95,000
ROE/ISC School Bus Driver Training	-	852	852
Supervisory Expense	-	2,000	2,000
English Language Learners	-	65,351	65,351
Language Instruction Program for Limited English Proficient Students	-	48,546	48,546
Truants Alternative and Optional Education	-	55,712	55,712
Vocational Education	623,538	-	623,538
	<u>\$ 623,538</u>	<u>\$ 597,108</u>	<u>\$ 1,220,646</u>

See accompanying Independent Auditor's Report