

State of Illinois
REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI,
AND UNION COUNTIES
FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
FOR THE YEAR ENDED JUNE 30, 2011

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

For the Year Ended June 30, 2011

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FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

For the Year Ended June 30, 2011

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FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

For the Year Ended June 30, 2011

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REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

AGENCY OFFICIALS

For the Year Ended June 30, 2011

Regional Superintendent (Current and During the Audit Period)	Ms. Janet Ulrich
Assistant Regional Superintendent (Current, Effective July 1, 2011)	Ms. Terri Parmly
Assistant Regional Superintendent (During the Audit Period from May 2, 2011 through June 30, 2011)	Mr. Bob O'Dell
Assistant Regional Superintendent (During the Audit Period from February 1, 2011 through April 28, 2011)	Mr. Steve Karraker
Assistant Regional Superintendent (During the Audit Period from August 16, 2010 through January 28, 2011)	Mr. Larry Goldsmith
Assistant Regional Superintendent (During the Audit Period through July 30, 2010)	Mr. Edwin Shoemate

Office is located at:

17 Rustic Campus Drive
Ullin, Illinois 62992

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMPLIANCE REPORT SUMMARY

For the Year Ended June 30, 2011

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

AUDITORS' REPORT

The auditors' reports on compliance and internal controls do not contain scope limitations, disclaimers or other significant non-standard language.

SUMMARY OF AUDIT FINDINGS

Number of	This Audit	Prior Audit
Audit findings	5	4
Repeated audit findings	3	2
Prior recommendations implemented or not repeated	1	2

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

An additional four 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

Item No.	Page	Description	Finding Type
<i>FINDINGS (GOVERNMENT AUDITING STANDARDS)</i>			
11-01	11	Controls Over Financial Statement Preparation	Material Weakness
11-02	13	Inadequate Monitoring of Collateral on Deposits	Material Weakness and Noncompliance
<i>FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE AND GOVERNMENT AUDITING STANDARDS)</i>			
11-03	14	Noncompliance with Requirements over Documentation of Employee Time and Effort	Material Weakness and Noncompliance
11-04	16	Inadequate Monitoring of Subrecipients	Significant Deficiency and Noncompliance
11-05	19	Interest Earned on Federal Grant Funds	Significant Deficiency and Noncompliance
<i>PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)</i>			
None			
<i>PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)</i>			
10-04	27	Improper Completion of Expense Reports	Significant Deficiency and Noncompliance

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Regional Office of Education #2 management during various informal meetings. The Regional Office of Education #2 declined to have a formal exit conference. Responses to the recommendations were provided by Kris Fasnacht, Fiscal Manager, in an email dated April 26, 2012.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

FINANCIAL STATEMENT REPORT SUMMARY

For the Year Ended June 30, 2011

The audit of the accompanying basic financial statements of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2 was performed by Doehring, Winders & Co. LLP.

Based on their audit, the auditors expressed an unqualified opinion on the Regional Office of Education #2's basic financial statements.

DOEHRING, WINDERS & CO. LLP
Certified Public Accountants
& Business Advisers
1601 LAFAYETTE AVENUE
MATTOON, ILLINOIS 61938

INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2, as of and for the year ended June 30, 2011, which collectively comprise the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2 adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended June 30, 2011. The statement changed the classifications of governmental fund balances and clarified the definitions of existing fund types. The adoption of this statement had no effect on any of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's governmental funds' assets or liabilities nor was there any effect to the total amount of any of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's governmental fund balances as of and for the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 29, 2012 on our consideration of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2'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 Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 29-37 and 70 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 Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2'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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, the Schedule of Disbursements to School District Treasurers and Other Entities, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Doehring, Winters & Co. L.L.P.

May 29, 2012

DOEHRING, WINDERS & Co. LLP
*Certified Public Accountants
& Business Advisers*
1601 LAFAYETTE AVENUE
MATTOON, ILLINOIS 61938

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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2, as of and for the year ended June 30, 2011, which collectively comprise the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's basic financial statements and have issued our report thereon dated May 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2'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 Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in findings 11-01, 11-02 and 11-03 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a 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 11-04 and 11-05 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned costs as items 11-02, 11-03, 11-04 and 11-05.

We also noted certain matters which we have reported to management of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2 in a separate letter dated May 29, 2012.

Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, others within the entity, Illinois State Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Doehring, Winders & Co. L.L.P.

May 29, 2012

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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Regional Office of Education #2's major federal program for the year ended June 30, 2011. The Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's management. Our responsibility is to express an opinion on the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's compliance with those requirements.

As described in item 11-03, 11-04, and 11-05 in the accompanying Schedule of Findings and Questioned Costs, the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2 did not comply with requirements regarding allowable costs and subrecipient monitoring that are applicable to its Title I - School Improvement and Accountability Cluster programs. Compliance with such requirements is necessary, in our opinion, for the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2 to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 11-03 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 11-04 and 11-05 to be significant deficiencies.

Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, others within the entity, Illinois State Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Doehring, Winters & Co. L.L.P.

May 29, 2012

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? Yes
- Noncompliance material to financial statements noted? Yes

Federal Awards

Internal control over the major program:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? Yes

Type of auditor's report issued on compliance for the major program: Qualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)? Yes

Identification of **major** programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010A, 84.389A	System of Support Title I - School Improvement and Accountability and ARRA Title I - School Improvement and Accountability (Title I - School Improvement and Accountability Cluster)

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

Auditee qualified as a low-risk auditee? No

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS

For the Year Ended June 30, 2011

11-01 Controls Over Financial Statement Preparation (Partial repeat of Finding 10-01, 09-02, 08-02 and 07-05)

Criteria/specific requirement

The Regional Office of Education #2 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 #2 does not have sufficient internal controls over the financial reporting process. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or deferred revenue. While the Regional Office did maintain records to indicate the balances of accounts payable, accounts receivable, and deferred revenue, not all entries were made by the Regional Office to reconcile their grant activity, such as posting grant receivables and deferred revenue.
- The Regional Office's financial information required numerous adjusting entries to present the financial statements in accordance with generally accepted accounting principles. This included the Regional Office not recording adjusting entries from the prior year audit.

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, although they have contracted with a CPA to help with GAAP adjusting entries and review of the financial statements, the CPA was not contracted in time to help record the fiscal year 2010 audit entries and was not contracted to prepare the financial statements including disclosures.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS

For the Year Ended June 30, 2011

11-01 Controls Over Financial Statement Preparation (Partial repeat of Finding 10-01, 09-02, 08-02 and 07-05) (continued)

Recommendation:

As part of its internal control over the preparation of financial statements, including disclosures, the Regional Office of Education #2 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

Management's Response:

The Regional Office of Education #2 agrees with the finding. The Regional Office of Education #2 has hired a CPA to review its books and prepare its financial statements. Due to limited funding for the office, a full-time CPA is not an option.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS

For the Year Ended June 30, 2011

11-02 Inadequate Monitoring of Collateral on Deposits (Repeat of Finding 10-02)

Criteria/specific requirement

The Public Funds Deposit Act (30 ILCS 225/1) gives the authorization for deposits in excess of the federally insured limit to be covered by pledged collateral held by the financial institutions' trust departments in the Regional Office of Education #2's name. In addition, prudent business practice requires that all cash and investments held by financial institutions for the ROE be adequately covered by depository insurance or collateral.

Condition:

As of June 30, 2011, cash account balances with one bank exceeded Federal Deposit Insurance Corporation (FDIC) coverage and pledged collateral by \$276,870.

Effect:

Failure to secure full collateral on cash and investment balances may result in monetary losses to the Regional Office.

Cause:

According to the Regional Office's management, the required additional collateral for the Regional Office's deposits was deficient due to the Regional Office insufficiently monitoring account balances requiring collateral.

Recommendation:

The Regional Office should strengthen controls ensuring that amounts pledged by the bank exceed the amounts not covered by FDIC insurance.

Management's Response:

The Regional Office of Education #2 agrees with the finding. The Regional Office will strengthen controls ensuring that amounts pledged by the bank exceed the amounts not covered by FDIC insurance so that even when funding is unexpectedly released by the state, we will still be covered.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS

For the Year Ended June 30, 2011

11-03 Noncompliance with Requirements over Documentation of Employee Time and Effort

Federal Program Names: (a) System of Support Title I - School Improvement and Accountability (b) ARRA Title I - School Improvement and Accountability

Project Numbers: (a) 11-4331-SS, and 10-4331-SS (b) 11-4854-00

CFDA numbers: (a) 84.010A (b) 84.389A

Passed Through: (a) and (b) Illinois State Board of Education

Federal Agency: (a) and (b) U.S. Department of Education

Criteria/specific requirement

The Regional Office of Education #2 is required to document employee time and effort to justify payroll and benefit expenses charged to federal grants.

OMB Circular A-133, Department of Education Cross-Cutting Section, establishes compliance requirements for charging payroll and benefit costs to Title I - School Improvement and Accountability grants. These rules require employees that have 100% of their payroll and benefits charged to these grants to provide a semi-annual certification that they have been engaged in activities solely to support the program's objective. For employees that have a percentage of their payroll and benefits charged to these grants, the rules required that specific time and effort documentation is prepared to justify the portion of their time charged.

Condition:

The Regional Office did not maintain adequate time and effort documentation for some of the payroll and benefits costs charged to federal grants. The Regional Office only maintained adequate documentation for program staff who worked solely on the Title I - School Improvement and Accountability grants and for the program coordinator who had 100% of their payroll and benefits charged to these grants. No time and effort records were maintained for administrative staff with a portion of their payroll and benefits charged to these grants. For administrative personnel, the amount of payroll and benefits costs charged to the grants was based on budgeted amounts.

Questioned Costs:

\$98,082

Context:

Total payroll and benefits charged to (a) System of Support Title I - School Improvement and Accountability and (b) ARRA Title I - School Improvement and Accountability during fiscal year 2011 totaled \$270,200.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS

For the Year Ended June 30, 2011

**11-03 Noncompliance with Requirements over Documentation of Employee Time and Effort
(continued)**

Effect:

Since time and effort logs were not prepared by some employees, the Regional Office does not have sufficient documentation for payroll and benefit costs charged. Also, not preparing the required documentation increases the risk that federal funds are expended for unallowable purposes.

Cause:

According to Regional Office officials, they were unaware of the time and effort log requirements for administrative personnel.

Recommendation:

The Regional Office should develop and implement policies and procedures to require that time and effort logs be prepared when required by *OMB Circular A-133*.

Management's Response:

The Regional Office of Education #2 agrees with the finding. The Regional Office will make sure that documentation is prepared by all employees paid by federal funds requiring this documentation, including salaried employees.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS

For the Year Ended June 30, 2011

11-04 Inadequate Monitoring of Subrecipients

Federal Program Names: (a) System of Support Title I - School Improvement and Accountability (b) ARRA Title I - School Improvement and Accountability

Project Numbers: (a) 11-4331-SS, and 10-4331-SS (b) 11-4854-00

CFDA numbers: (a) 84.010A (b) 84.389A

Passed Through: (a) and (b) Illinois State Board of Education

Federal Agency: (a) and (b) U.S. Department of Education

Criteria/specific requirement

The Regional Office of Education #2 (Regional Office) is required to establish various internal controls with respect to monitoring subrecipients of federal grants. Specifically, *OMB Circular A-133*, Part 3 requires the following controls over subrecipient monitoring, and procurement, suspension and debarment.

OMB Circular A-133, Part 3, Subrecipient Monitoring, states that at the time of a subaward, pass-through entities need to identify the CFDA title and number, award name and number, if the award is for research and development, and the name of the federal awarding agency. Part 3, Subrecipient Monitoring, also requires pass-through entities ensure that subrecipients expending \$500,000 or more of federal awards during the subrecipient's fiscal year have met *OMB Circular A-133* audit requirements. Furthermore, *OMB Circular A-133*, Part 3, prohibits pass-through entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred, and requires that pass-through entities either verify that the contractor or subrecipient is not suspended or debarred by checking the *Excluded Parties List System* or by collecting a certification from or adding a clause to the contract. Covered transactions include procurement transactions of \$25,000 or more and nonprocurement transactions (e.g. subawards to subrecipients) of any amount.

Condition:

- A.** The Regional Office did not inform their federal award subrecipients of the CFDA title and number, award name and number, if the award is for research and development, and the name of the federal awarding agency as required by *OMB Circular A-133*.
- B.** The Regional Office did not request reports from or otherwise verify that its subrecipients complied with the audit requirements of *OMB Circular A-133*.
- C.** The Regional Office did not verify that subrecipients were not suspended or debarred from receiving subawards of federal grants.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS

For the Year Ended June 30, 2011

11-04 Inadequate Monitoring of Subrecipients (continued)

Questioned Costs:

- A. None
- B. None
- C. None

Context:

Fiscal year 2011 expenditures for (a) System of Support Title I - School Improvement and Accountability (b) ARRA Title I - School Improvement and Accountability amounted to \$668,471 and \$140,000, respectively. Fiscal year 2011 amounts passed through to subrecipients for (a) and (b) totaled \$420,996 and \$20,238, respectively.

Effect:

- A. By not informing their federal award subrecipients of the CFDA title and number, award name and number, and the name of the federal awarding agency, there is an increased likelihood of noncompliance with *OMB Circular A-133* audit requirements by these subrecipients.
- B. By not ensuring that subrecipients complied with *OMB Circular A-133* audit requirements, the Regional Office could not determine if any noncompliance was reported and that timely corrective action was taken to correct the noncompliance.
- C. The Regional Office could have unknowingly contracted with suspended or debarred entities.

Cause:

Regional Office officials indicated they were unaware of these requirements.

Recommendation:

- A. The Regional Office should develop and implement controls to ensure that subrecipients are provided with the applicable grant identification information as required by *OMB Circular A-133*.
- B. The Regional Office should develop and implement controls to identify subrecipients for which audits under *OMB Circular A-133* are required and should request that these entities provide audit reports to the Regional Office.
- C. The Regional Office should develop and implement controls to verify that subrecipients of federal awards are not on the Excluded Parties List System.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS

For the Year Ended June 30, 2011

11-04 Inadequate Monitoring of Subrecipients (continued)

Management's Response:

The Regional Office of Education #2 agrees with the finding. While the Regional Office of Education #2 was unaware of these requirements, and has not been provided with this information from the auditors in previous years, we have now:

- A.** developed and implemented controls to ensure that subrecipients are provided with the applicable grant identification information as required by *OMB Circular A-133*;
- B.** developed and implemented controls to identify subrecipients for which audits under *OMB Circular A-133* are required and request that these entities provide audit reports to the Regional Office; and
- C.** developed and implemented controls to verify that subrecipients of federal awards are not on the Excluded Parties List System.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS

For the Year Ended June 30, 2011

11-05 Interest Earned on Federal Grant Funds (Repeat of Finding 10-03 and 09-04)

Federal Program Name: System of Support Title I - School Improvement and Accountability
Project Numbers: 11-4331-SS, and 10-4331-SS
CFDA number: 84.010A
Passed Through: Illinois State Board of Education
Federal Agency: U.S. Department of Education

Criteria/specific requirement

The *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (34 Code of Federal Regulations Part 80.21) requires that interest earned on federal fund balances in excess of \$100 be remitted back to the federal granting agency promptly or at least quarterly.

Condition:

The Regional Office earned excess interest income from federal funds of \$186 during the year ended June 30, 2011. The excess interest was earned on funds received for the System of Support – Title I – School Improvement and Accountability program.

Questioned Costs:

\$186

Context: N/A

Effect:

Noncompliance with the *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (34 Code of Federal Regulations Part 80.21).

Cause:

Oversight by Regional Office personnel.

Recommendation:

The Regional Office should track interest earnings on federal funds so that any excess funds can be returned promptly. In addition, at the end of the grant period, unobligated or unspent interest on all grants plus any federal interest in excess of \$100 should be returned to the grantor.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS

For the Year Ended June 30, 2011

11-05 Interest Earned on Federal Grant Funds (Repeat of Finding 10-03 and 09-04) (continued)

Management's Response:

The Regional Office of Education #2 agrees with the finding. The Regional Office will track interest earnings on federal funds so that any excess funds can be returned promptly. In addition, at the end of the grant period, unobligated or unspent interest on all grants plus any federal interest in excess of \$100 will be returned to the grantor.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION III - FEDERAL AWARD FINDINGS

For the Year Ended June 30, 2011

INSTANCES OF NONCOMPLIANCE:

Finding No. 11-03 - Noncompliance with Requirements over Documentation of Employee Time and Effort (Finding details on page 14)

Finding No. 11-04 - Inadequate Monitoring of Subrecipients (Finding details on page 16)

Finding No. 11-05 - Interest Earned on Federal Grant Funds (Finding details on page 19)

SIGNIFICANT DEFICIENCIES:

Finding No. 11-04 - Inadequate Monitoring of Subrecipients (Finding details on page 16)

Finding No. 11-05 - Interest Earned on Federal Grant Funds (Finding details on page 19)

MATERIAL WEAKNESS:

Finding No. 11-03 - Noncompliance with Requirements over Documentation of Employee Time and Effort (Finding details on page 14)

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS

For the Year Ended June 30, 2011

Corrective Action Plan

11-01 Controls Over Financial Statement Preparation (Partial repeat of Finding 10-01, 09-02, 08-02 and 07-05)

Condition:

The Regional Office of Education #2 does not have sufficient internal controls over the financial reporting process. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or deferred revenue. While the Regional Office did maintain records to indicate the balances of accounts payable, accounts receivable, and deferred revenue, not all entries were made by the Regional Office to reconcile their grant activity, such as posting grant receivables and deferred revenue.
- The Regional Office's financial information required numerous adjusting entries to present the financial statements in accordance with generally accepted accounting principles. This included the Regional Office not recording adjusting entries from the prior year audit.

Plan:

The Regional Office of Education #2 has hired a CPA to review its books and prepare its financial statements for future audits. Due to limited funding for the office, a full-time CPA is not an option.

Anticipated Date of Completion:

Immediately upon learning of oversight.

Name of Contact Person:

Janet Ulrich, Regional Superintendent of Schools

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS

For the Year Ended June 30, 2011

Corrective Action Plan

11-02 Inadequate Monitoring of Collateral on Deposits (Repeat of Finding 10-02)

Condition:

As of June 30, 2011, cash account balances with one bank exceeded Federal Deposit Insurance Corporation (FDIC) coverage and pledged collateral by \$276,870.

Plan:

Management will meet with bank personnel to review their agreement about additional collateral for the Regional Office and to request a regular statement showing the amounts that have been pledged. The Regional Office's staff will also more closely monitor collateral pledged on bank account balances.

Anticipated Date of Completion:

Immediately upon learning of oversight.

Name of Contact Person:

Janet Ulrich, Regional Superintendent of Schools

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS

For the Year Ended June 30, 2011

Corrective Action Plan

11-03 Noncompliance with Requirements over Documentation of Employee Time and Effort

Condition:

The Regional Office did not maintain adequate time and effort documentation for some of the payroll and benefits costs charged to federal grants. The Regional Office only maintained adequate documentation for program staff who worked on the Title I - School Improvement and Accountability grants and for the program coordinator who had 100% of their payroll and benefits charged to these grants. No time and effort records were maintained for administrative staff with a portion of their payroll and benefits charged to these grants. For administrative personnel, the amount of payroll and benefits costs charged to the grants was based on budgeted amounts.

Plan:

The Regional Office will make sure that documentation is prepared by all employees paid by federal funds requiring this documentation, including salaried employees. Procedures have been put into place to review this documentation at least quarterly.

Anticipated Date of Completion:

Immediately upon learning of oversight.

Name of Contact Person:

Janet Ulrich, Regional Superintendent of Schools

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS

For the Year Ended June 30, 2011

Corrective Action Plan

11-04 Inadequate Monitoring of Subrecipients

Condition:

- A.** The Regional Office did not inform their federal award subrecipients of the CFDA title and number, award name and number, if the award is for research and development, and the name of the federal awarding agency as required by *OMB Circular A-133*.
- B.** The Regional Office did not request reports from or otherwise verify that its subrecipients complied with the audit requirements of *OMB Circular A-133*.
- C.** The Regional Office did not verify that subrecipients were not suspended or debarred from receiving subawards of federal grants.

Plan:

The Regional Office of Education #2 has:

- A.** developed and implemented controls to ensure that subrecipients are provided with the applicable grant identification information as required by *OMB Circular A-133*;
- B.** developed and implemented controls to identify subrecipients for which audits under *OMB Circular A-133* are required and request that these entities provide audit reports to the Regional Office; and
- C.** developed and implemented controls to verify that subrecipients of federal awards are not on the Excluded Parties List System.

Anticipated Date of Completion:

Immediately upon learning of oversight.

Name of Contact Person:

Janet Ulrich, Regional Superintendent of Schools

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS

For the Year Ended June 30, 2011

Corrective Action Plan

11-05 Interest Earned on Federal Grant Funds (Repeat of Finding 10-03 and 09-04)

Condition:

The Regional Office earned excess interest income from federal funds of \$186 during the year ended June 30, 2011. The majority of the excess interest was earned on funds received for the System of Support – Title I – School Improvement and Accountability program.

Plan:

The Regional Office will track interest earnings on federal funds so that any excess funds can be returned promptly. In addition, at the end of the grant period, unobligated or unspent interest on all grants plus any federal interest in excess of \$100 will be returned to the grantor.

Anticipated Date of Completion:

Immediately upon learning of oversight.

Name of Contact Person:

Janet Ulrich, Regional Superintendent of Schools

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2011

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
10-01	Controls Over Financial Statement Preparation	11-01
10-02	Inadequate Monitoring of Collateral on Deposits	11-02
10-03	Interest Earned on Federal Grant Funds	11-05
10-04	Improper Completion of Expense Reports	Not repeated

MANAGEMENT'S DISCUSSION AND ANALYSIS

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

Regional Office of Education #2 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, 2011. We encourage readers to consider this information in conjunction with the Regional Office of Education #2's financial statements, which follow.

During fiscal year 2011 the Regional Office of Education #2 implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which required certain funds to be reclassified as detailed in Note 17 to the financial statements. Because of these reclassifications the fund analysis is not comparable between fiscal year 2010 and fiscal year 2011.

2011 Financial Highlights

- General fund revenues increased from \$455,630 in fiscal year 2010 (FY10) to \$810,917 in fiscal year 2011 (FY11), and General fund expenditures increased from \$402,237 in FY10 to \$459,066 in FY11. This resulted in an increase in the Regional Office of Education #2's General fund balance from \$395,232 in FY10 to \$2,479,370 in FY11.
- The increase in General fund revenues and expenditures was due primarily to the implementation of GASB Statement No. 54 which required reclassification of the ROE/ISC Operations fund from the General Fund to the Education Fund, and the General State Aid fund from the Education Fund to the General Fund. This change made comparison of revenue and expenditure totals from FY10 to FY11 unreliable as an indicator of variations in these totals. However, the increase in the restated fund balance from FY10 to the ending balance in FY11 indicates that the continued efforts to reduce costs in relation to revenues has been successful.
- Education fund revenues decreased from \$2,725,727 in FY10 to \$1,702,138 in FY11, and Education fund expenditures decreased from \$2,583,848 in FY10 to \$1,750,998 in FY11. This resulted in a decrease in the Education fund balance from \$1,692,293 in FY10 to (\$56,039) in FY11.
- The decrease in Education fund revenues and expenditures was due primarily to the implementation of GASB Statement No. 54 which required reclassification of the ROE/ISC Operations fund from the General Fund to the Education Fund, and the General State Aid fund from the Education Fund to the General Fund. This change made comparison of revenue and expenditure totals from FY10 to FY11 unreliable as an indicator of variations in these totals. However, the decrease in the restated fund balance from FY10 to the ending balance in FY11 indicates that the increasing costs of services versus lower revenues is affecting this fund.

Using This Report

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

- The Regional Office of Education #2's Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Regional Office of Education #2'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 Regional Office of Education #2 as a whole and present an overall view of the Regional Office of Education #2's finances.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

Using This Report (continued)

- The governmental 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 Regional Office of Education #2'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.
- The required supplementary information and supplementary information further explains and supports the financial statements with a Schedule of Funding Progress for the Illinois Municipal Retirement Fund, a comparison of the Regional Office of Education #2's budget for the year, and detailed information about the General Funds, Education Funds, and Non-major funds.

Reporting the Office as a Whole

The Statement of Net Assets and the Statement of Activities

The Government-wide statements report information about the Regional Office of Education #2 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all the Regional Office of Education #2'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 Regional Office of Education #2's net assets and how they have changed. Net assets – the difference between the Regional Office of Education #2's assets and liabilities – are one way to measure the Regional Office of Education #2's financial health or position.

- Over time, increases or decreases in the Regional Office of Education #2's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Regional Office of Education #2's overall health, additional non-financial factors, need to be considered.

In the government-wide financial statements, the Regional Office of Education #2's activities consist of governmental activities and business-type activities.

- *Governmental activities:* Most of the Regional Office of Education #2's basic services are included here, such as regular and special education instruction, student and instructional staff support services and administration. State and federal grants, local school districts, and state aid finance most of these activities.
- *Business-type activities:* The Regional Office of Education #2 charges fees to help cover the costs of certain services and workshops it provides.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

Reporting the Office as a Whole (continued)

Governmental Fund Financial Statements

The governmental fund financial statements provide detailed information about the Regional Office of Education #2's funds, focusing on its most significant or "major" funds – not the Regional Office of Education #2 as a whole. Funds are accounting devices the Regional Office of Education #2 uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law. The Regional Office of Education #2 establishes other funds to control and manage money for particular purposes.

Governmental funds account for most of the Regional Office of Education #2's basic services. These focus on how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Regional Office of Education #2's programs. Because this information does not encompass the additional long-term focus of the government-wide statements a reconciliation between the government-wide statements and the governmental fund statements follow each of the related governmental fund statements. The Regional Office of Education #2's governmental funds include the General Fund and the Special Revenue Funds.

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The Regional Office of Education #2's net assets at the end of fiscal year 2011 totaled approximately \$2.7 million. This compared to approximately \$2.4 million at the end of fiscal year 2010. The analysis that follows provides a summary of the Regional Office of Education #2's net assets at June 30, 2011 and 2010 for the governmental and business-type activities.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

Government-Wide Financial Analysis (continued)

**Condensed Statement of Net Assets
Governmental Activities**

	2011	2010	Increase/ (Decrease)
Current assets	\$ 2,823,892	\$ 2,645,911	\$ 177,981
Capital assets, being depreciated, net	134,038	135,256	(1,218)
Total assets	2,957,930	2,781,167	176,763
Current liabilities	196,426	377,844	(181,418)
Noncurrent liabilities	12,547	11,668	879
Total liabilities	208,973	389,512	(180,539)
Net assets:			
Invested in capital assets, net of related debt	134,038	135,256	(1,218)
Restricted for educational purposes	99,985	2,748	97,237
Unrestricted	2,514,934	2,253,651	261,283
Total net assets	\$ 2,748,957	\$ 2,391,655	\$ 357,302

The Regional Office of Education #2's combined governmental net assets increased by \$357,302 from fiscal year 2010. In addition, net assets for educational purposes are considered restricted.

**Condensed Statement of Net Assets
Business-Type Activities**

	2011	2010	Increase/ (Decrease)
Current assets	\$ 34,693	\$ 41,562	\$ (6,869)
Capital assets, being depreciated, net	1,917	720	1,197
Total assets	36,610	42,282	(5,672)
Current liabilities	1,268	-	1,268
Net assets:			
Invested in capital assets, net of related debt	1,917	720	1,197
Unrestricted	33,425	41,562	(8,137)
Total net assets	\$ 35,342	\$ 42,282	\$ (6,940)

The Regional Office of Education #2's combined business-type net assets decreased by \$6,940 from fiscal year 2010. The Regional Office of Education #2 uses its business-type net assets to provide workshops and training services to school districts in the Region.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

Government-Wide Financial Analysis (continued)

The following analysis shows the changes in net assets for governmental and business-type activities for the years ended June 30, 2011 and June 30, 2010.

Statement of Activities
Governmental Activities

	2011	2010	Increase/ (Decrease)
Revenues:			
Program revenues:			
Operating grants and contributions	\$ 1,705,488	\$ 2,450,866	\$ (745,378)
Charges for services	17,930	28,272	(10,342)
General revenues			
Local sources	149,579	187,454	(37,875)
State sources	391,494	398,317	(6,823)
On-behalf payment	288,735	320,947	(32,212)
Investment earnings	32,830	40,290	(7,460)
Total revenues	2,586,056	3,426,146	(840,090)
Expenses:			
Program expenses:			
Instructional services			
Salaries and benefits	942,165	926,327	15,838
Purchased services	384,945	524,403	(139,458)
Supplies and materials	141,394	184,461	(43,067)
Depreciation expense	30,281	29,278	1,003
Loss on disposal of capital assets	-	2,627	(2,627)
Payments to other governments	441,234	1,014,686	(573,452)
Other objects	-	1,048	(1,048)
Administrative expenses:			
On-behalf payments - state	288,735	320,947	(32,212)
Total expenses	2,228,754	3,003,777	(775,023)
Change in net assets	357,302	422,369	(65,067)
Net assets - beginning	2,391,655	1,969,286	422,369
Net assets - ending	\$ 2,748,957	\$ 2,391,655	\$ 357,302

Revenues for governmental activities were \$2,586,056 and expenses were \$2,228,754. The decrease in total revenue is due to several factors including grants that were reduced or no longer funded in FY11 and counties not making requested payments.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

Government-Wide Financial Analysis (continued)

Statement of Activities
Business-Type Activities

	2011	2010	Increase/ (Decrease)
Revenues:			
Program revenues:			
Charges for services	\$ 8,350	\$ 22,075	\$ (13,725)
General revenues			
Investment earnings	98	163	(65)
Total revenues	8,448	22,238	(13,790)
Expenses:			
Salaries and benefits	5,456	-	5,456
Purchased services	6,726	9,628	(2,902)
Supplies and materials	2,485	645	1,840
Depreciation expense	721	951	(230)
Dues and fees	-	-	-
Other	-	-	-
Total expenses	15,388	11,224	4,164
Change in net assets	(6,940)	11,014	(17,954)
Net assets - beginning	42,282	31,268	11,014
Net assets - ending	\$ 35,342	\$ 42,282	\$ (6,940)

Revenues for the business-type activities were \$8,448 and expenses were \$15,388. This resulted in an overall decrease in total net assets of \$6,940.

Financial Analysis of the Regional Office of Education #2 Funds

As previously noted, the Regional Office of Education #2 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund Highlights:

- The Regional Office of Education #2's governmental fund reported combined fund balances of \$2,428,998 compared with FY10's ending fund balances of \$2,091,840. Of this, general fund balance of \$2,479,370 increased from FY10's ending fund balance of \$395,232, education fund balance of (\$56,039) decreased from FY10's ending fund balance of \$1,692,293, and other non-major governmental fund balance of \$5,667 increased from FY10's ending fund balance of \$4,315. The primary reason for the increase in combined fund balances in FY11 was due to reduced expenditures to keep within budgets.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

Financial Analysis of the Regional Office of Education #2 Funds (continued)

Governmental Fund Highlights: (continued)

- Another reason for the significant change was the reduction in staff. Through attrition, some staff members left the Regional Office of Education #2 and were not replaced or were replaced by staff members at lower salaries.
- The Regional Office of Education #2's increasing General Fund financial position is the product of many factors, including decreased expenditures for salaries and benefits, and purchased services.

Business-Type Fund Highlights:

- The Regional Office of Education #2's business-type fund reported combined net assets of \$35,342 compared with FY10's ending net assets of \$42,282. The primary reason for the decrease in fund balances in FY11 was due to a reduction in revenues from registration fees, including teacher certification fees which will cycle with some years bringing in more than others due to registration requirements.

Fiduciary Fund Type:

Regional Office of Education #2's fiduciary funds are used to account for assets held by the Regional Office of Education #2 in trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Distributive Fund is the Regional Office of Education #2's only agency fund.

Interest on Distributive Fund – The Regional Office of Education #2 has agreements with all participating districts in the region whereby the Regional Office of Education #2 is allowed to keep the interest for expenditures benefiting all districts.

Measurement Focus:

The fund financial statements of all Governmental Funds focus on the measurement of spending or "financial flow" and the determination of changes in financial position, rather than upon net income determination. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. In applying the susceptible to accrual concepts to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Regional Office of Education #2; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditures and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

Financial Analysis of the Regional Office of Education #2 Funds (continued)

Budgetary Highlights:

The Regional Office of Education #2's Advisory Board approves an education plan. Although the budget document presents functional disbursements by fund, the legal level of control is at the total expenditure level, not at the fund or fund type level. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board. Over the course of the year, the Regional Office of Education #2 amended its annual operating budget several times to reflect additional revenue and expenditures associated with the additional services needed and provided to the local school districts. The Regional Office of Education #2 has a five-county budget for administrative purposes. Each county contributes financially to the Regional Office of Education #2 based upon the county's population.

Capital Assets

The Regional Office of Education #2 does own buildings and equipment. Items purchased costing over \$500 are listed on the Regional Office of Education #2's inventory. At June 30, 2011 the Regional Office of Education #2 had an investment in capital assets of \$135,955 which is the original cost of the assets less the accumulated depreciation.

Economic Factors and Next Year's Budget

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

- Funding for existing programs comes in part from the state through funding such as General State Aid, Operations, etc. Reduced funding, and in some cases the expectation of no funding, have and will continue to reduce the revenue to support these programs.
- Funding for existing programs comes in part from grant funds. Due to the reduction in the number of grants available, the reduction in the awarded amount of the grants available, and the state's inability to make payments in a timely manner, projecting revenues cannot be accurately done.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

Additional Information

The following information is furnished to further explain the Regional Office of Education #2's financial analysis and planning:

Management staff and financial staff continually review all aspects of the financial statements including the format of financial statements, accounting and reporting capital assets, and internal service funds. This would include a monthly analysis and cross check of balancing the various funds. The review of how to meet projected shortfalls are discussed and analyzed at these meetings. The major problem with finances is the State's inability to pay the Regional Office of Education #2 for approved grant funds.

The management team reviews all programs from short-term to long-term concerning the financial aspects of the Regional Office of Education #2. This includes reviewing projected funds and/or amending the various programs in order to ensure adequate and proper funding. Most financial receipts are ultimately received by the Regional Office of Education #2 to maintain programs. The serious problem is that these funds are often late by several months which cause fund transfers and other methods to stay financially viable. Generally speaking, the funds are received by the end of the year, but few are received as indicated in the grant programs. Improved financial planning could occur if the State gave general guidelines from one year to the next. For example, if we were told a particular program will receive at least 85 percent of last year's budget; this would enable the Regional Office of Education #2 to plan more effectively.

The current year results in comparison with prior years, indicates an increase from last year. Although final results are not available at this point in time, preliminary indications indicate another reduction in Regional Office of Education #2 funds and probably other grant programs. Because of this uncertainty it is very difficult to develop a plan to increase or maintain the effectiveness of the Regional Office of Education #2 and grant programs. However, even with these limitations, the Regional Office of Education #2 has been able to not only maintain, but increase the net assets of the office the last few years.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the Regional Office of Education #2's citizens, taxpayers, customers, and investors with a general overview of the Regional Office of Education #2's finances and to demonstrate the Regional Office of Education #2's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Regional Office of Education #2, 17 Rustic Campus Drive, Ullin, IL 62992.

BASIC FINANCIAL STATEMENTS

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF NET ASSETS

June 30, 2011

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Current Assets:			
Cash and cash equivalents	\$ 1,322,861	\$ 34,693	\$ 1,357,554
Investments	944,439	-	944,439
Due from other governments:			
Local	79,962	-	79,962
State	476,630	-	476,630
Total Current Assets	<u>2,823,892</u>	<u>34,693</u>	<u>2,858,585</u>
Noncurrent Assets:			
Capital assets, net of depreciation	134,038	1,917	135,955
Total Noncurrent Assets	<u>134,038</u>	<u>1,917</u>	<u>135,955</u>
Total Assets	<u>2,957,930</u>	<u>36,610</u>	<u>2,994,540</u>
Liabilities			
Current Liabilities:			
Accounts payable	246	1,268	1,514
Due to other governments:			
Local	98,833	-	98,833
Deferred revenue	97,347	-	97,347
Total Current Liabilities	<u>196,426</u>	<u>1,268</u>	<u>197,694</u>
Noncurrent Liabilities:			
Liability for compensated absences	12,547	-	12,547
Total Noncurrent Liabilities	<u>12,547</u>	<u>-</u>	<u>12,547</u>
Total Liabilities	<u>208,973</u>	<u>1,268</u>	<u>210,241</u>
Net Assets			
Invested in capital assets, net of related debt	134,038	1,917	135,955
Restricted for educational purposes	99,985	-	99,985
Unrestricted	2,514,934	33,425	2,548,359
Total Net Assets	<u>\$ 2,748,957</u>	<u>\$ 35,342</u>	<u>\$ 2,784,299</u>

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
Instructional Services:							
Salaries and benefits	\$ 942,165	\$ 2,988	\$ 926,181	\$ -	\$ (12,996)	\$ -	\$ (12,996)
Purchased services	384,945	12,100	255,819	-	(117,026)	-	(117,026)
Supplies and materials	141,394	2,842	71,296	-	(67,256)	-	(67,256)
Payments to other governments	441,234	-	452,192	-	10,958	-	10,958
Depreciation	30,281	-	-	-	(30,281)	-	(30,281)
Administrative:							
On-behalf payments - state	288,735	-	-	-	(288,735)	-	(288,735)
Total governmental activities	<u>2,228,754</u>	<u>17,930</u>	<u>1,705,488</u>	<u>-</u>	<u>(505,336)</u>	<u>-</u>	<u>(505,336)</u>
Business-type activities							
Registration fees	14,667	8,350	-	-	-	(6,317)	(6,317)
Depreciation	721	-	-	-	-	(721)	(721)
Total business-type activities	<u>15,388</u>	<u>8,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,038)</u>	<u>(7,038)</u>
Total primary government	<u>\$ 2,244,142</u>	<u>\$ 26,280</u>	<u>\$ 1,705,488</u>	<u>\$ -</u>	<u>(505,336)</u>	<u>(7,038)</u>	<u>(512,374)</u>
General Revenues:							
Local sources					149,579	-	149,579
State sources					391,494	-	391,494
On-behalf payments					288,735	-	288,735
Investment earnings					32,830	98	32,928
Total general revenues					<u>862,638</u>	<u>98</u>	<u>862,736</u>
Change in net assets					357,302	(6,940)	350,362
Net assets - beginning					<u>2,391,655</u>	<u>42,282</u>	<u>2,433,937</u>
Net assets - ending					<u>\$ 2,748,957</u>	<u>\$ 35,342</u>	<u>\$ 2,784,299</u>

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULAKSI, AND UNION COUNTIES

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2011

	General Fund	Education Fund	Other Non-Major Funds	Eliminations	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 1,077,803	\$ 228,153	\$ 16,905	\$ -	\$ 1,322,861
Investments	894,439	50,000	-	-	944,439
Due from other funds	853,379	-	-	(853,379)	-
Due from other governments					
Local	62,675	17,287	-	-	79,962
State	-	476,630	-	-	476,630
Total assets	<u>\$ 2,888,296</u>	<u>\$ 772,070</u>	<u>\$ 16,905</u>	<u>\$ (853,379)</u>	<u>\$ 2,823,892</u>
Liabilities and fund balance (deficit):					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 246	\$ -	\$ 246
Due to other governments					
Local	-	98,833	-	-	98,833
Due to other funds	359,480	482,907	10,992	(853,379)	-
Deferred revenue	49,446	246,369	-	-	295,815
Total liabilities	<u>408,926</u>	<u>828,109</u>	<u>11,238</u>	<u>(853,379)</u>	<u>394,894</u>
Fund Balance (Deficit):					
Restricted for educational purposes	-	92,339	9,176	-	101,515
Assigned	2,329,792	-	-	-	2,329,792
Unassigned, reported in:					
Special revenue funds	-	(148,378)	(3,509)	-	(151,887)
General fund	149,578	-	-	-	149,578
Total fund balance (deficit)	<u>2,479,370</u>	<u>(56,039)</u>	<u>5,667</u>	<u>-</u>	<u>2,428,998</u>
Total liabilities and fund balance (deficit)	<u>\$ 2,888,296</u>	<u>\$ 772,070</u>	<u>\$ 16,905</u>	<u>\$ (853,379)</u>	<u>\$ 2,823,892</u>

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2011

Total Fund balances - governmental funds	\$ 2,428,998
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Because some revenues will not be collected for several months after the Regional Office fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.	198,468
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	134,038
Accrued payroll and benefit costs which reflect the amount of vacation pay that has been earned by the Regional Office of Education #2's employees but will not be paid within the next year is not reported in the governmental funds.	<u>(12,547)</u>
Net assets of governmental activities	<u><u>\$ 2,748,957</u></u>

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2011

	General Fund	Education Fund	Other Nonmajor Funds	Eliminations	Total Governmental Funds
Revenues:					
Local sources	\$ 109,738	\$ 26,583	\$ 16,208	\$ -	\$ 152,529
State sources	391,494	602,937	1,722	-	996,153
State sources- payments made on behalf of region	288,735	-	-	-	288,735
Federal sources	20,950	1,072,618	-	-	1,093,568
Total Revenues	<u>810,917</u>	<u>1,702,138</u>	<u>17,930</u>	<u>-</u>	<u>2,530,985</u>
Expenditures:					
Instructional services					
Salaries and benefits	15,078	923,443	2,765	-	941,286
Purchased services	106,418	267,329	11,198	-	384,945
Supplies and materials	48,136	90,628	2,630	-	141,394
Payments to other governments	-	441,234	-	-	441,234
Payments made on behalf of region	288,735	-	-	-	288,735
Capital Outlay	699	28,364	-	-	29,063
Total expenditures	<u>459,066</u>	<u>1,750,998</u>	<u>16,593</u>	<u>-</u>	<u>2,226,657</u>
Excess (deficiency) of revenues over expenditures	<u>351,851</u>	<u>(48,860)</u>	<u>1,337</u>	<u>-</u>	<u>304,328</u>
Other financing sources (uses):					
Transfers in	26	11,946	-	(11,972)	-
Transfers out	(11,946)	(26)	-	11,972	-
Interest	32,164	651	15	-	32,830
Total other financing sources (uses)	<u>20,244</u>	<u>12,571</u>	<u>15</u>	<u>-</u>	<u>32,830</u>
Net change in fund balances	372,095	(36,289)	1,352	-	337,158
Fund balance (deficit) - beginning (Restated - See note 17)	2,107,275	(19,750)	4,315	-	2,091,840
Fund balance - ending	<u>\$ 2,479,370</u>	<u>\$ (56,039)</u>	<u>\$ 5,667</u>	<u>\$ -</u>	<u>\$ 2,428,998</u>

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULAKSI, AND UNION COUNTIES

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

Net change in fund balances		\$ 337,158
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Because some revenues will not be collected for several months after the Regional Office fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.</p>		
Reported in the funds - current year	\$ 198,468	
Reported in the funds - prior year	<u>(176,227)</u>	22,241
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	\$ 29,063	
Depreciation	<u>(30,281)</u>	(1,218)
<p>Accrued payroll and benefits costs which reflect the amount of vacation pay that has been earned by the Regional Office of Education #2's employees in the current year but will not be paid within the next year is not reported in the governmental funds.</p>		
		<u>(879)</u>
Change in net assets of governmental activities		<u><u>\$ 357,302</u></u>

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF NET ASSETS
PROPRIETARY FUND

JUNE 30, 2011

	Business-Type Activities- Enterprise Funds
	Local Workshops
Assets:	
Current assets:	
Cash and cash equivalents	\$ 34,693
Total current assets	34,693
Noncurrent assets:	
Capital assets, being depreciated, net	1,917
Total noncurrent assets	1,917
Total assets	\$ 36,610
Liabilities:	
Current Liabilities:	
Accounts payable	\$ 1,268
Total current liabilities	1,268
Net assets	
Invested in capital assets, net of related debt	1,917
Unrestricted	33,425
Total net assets	\$ 35,342

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

For the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds
	Local Workshops
Operating revenues:	
Local sources	\$ 8,350
Total operating revenues	8,350
Operating expenses:	
Salaries and benefits	5,456
Purchased services	6,726
Supplies and materials	2,485
Depreciation	721
Total operating expenses	15,388
Operating income (loss)	(7,038)
Nonoperating revenues:	
Interest income	98
Total nonoperating revenue	98
Change in net assets	(6,940)
Total net assets - beginning	42,282
Total net assets - ending	\$ 35,342

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2011

	Business-Type Activities- Enterprise Funds
	Workshops Fund
Cash flows from operating activities:	
Workshop receipts	\$ 8,350
Payments to employees	(5,456)
Payments to suppliers and providers of goods and services	(7,943)
	(5,049)
Cash flows from investing activities:	
Purchase of equipment	(1,918)
Interest received on investments	98
	(1,820)
Net (decrease) in cash and cash equivalents	(6,869)
Cash and cash equivalents - beginning	41,562
Cash and cash equivalents - ending	\$ 34,693
Reconciliation of operating (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (7,038)
Adjustments to reconcile operating income (loss) to net cash (used for) operating activities:	
Depreciation	721
Change in assets and liabilities:	
Increase in accounts payable	1,268
	1,268
Net cash (used for) operating activities	\$ (5,049)

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2011

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 387,990
Due from other governments	<u>6,707,770</u>
Total Assets	<u>\$ 7,095,760</u>
Liabilities	
Due to other governments	<u>\$ 7,095,760</u>
Total Liabilities	<u>\$ 7,095,760</u>

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Regional Office of Education #2 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

This summary of significant accounting policies of the Regional Office of Education #2 is presented to assist in understanding the Regional Office of Education #2's financial statements. The financial statements and notes are representations of the Regional Office of Education #2's management who is responsible for the integrity and objectivity of the financial statements. The Illinois Administrative Code, Title 23 - Subtitle A, Chapter 1, Section 110.115a, requires each Regional Office of Education to prepare annual financial statements in conformity with accounting principles generally accepted in the United States of America. These principles have been consistently applied in the preparation of the financial statements.

In 2011, the Regional Office of Education #2 implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, GASB Statement No. 59, *Financial Instruments Omnibus*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Regional Office of Education #2 implemented these standards during the current year; however, GASB Statements No. 59 and 62 had no impact on the financial statements. The implementation of GASB Statement No. 54 changed fund balance reporting for governmental funds by adding some additional fund balance classifications, clarifying governmental fund type definitions, and providing additional disclosures on how fund balance constraints are imposed and be modified or eliminated.

FINANCIAL REPORTING ENTITY

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

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education #2's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

The Regional Superintendent is responsible for inspection and approval or rejection of school 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 her control are properly bonded.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Regional Superintendent is also responsible for apportionment and payment of funds received from the State for the districts in the Regional Office of Education #2, or see that no payments are made unless the treasurer has filed or renewed appropriate bonds and that the district has certified publication of the annual financial report. The Regional Superintendent is required to provide opinions and advice related to controversies under school law.

For the period ended June 30, 2011, the Regional Office of Education #2 applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in Regional Office of Education #2. Such activities are reported as a single major special revenue fund (Education Fund).

SCOPE OF THE REPORTING ENTITY

The Regional Office of Education #2's reporting entity includes all related organizations for which they exercise oversight responsibility.

The Regional Office of Education #2 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the Regional Office of Education #2, 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 Regional Office of Education #2 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 Regional Office of Education #2 does not control the assets, operations, or management of the districts or joint agreements. In addition, the Regional Office of Education #2 is not aware of any entity, which would exercise such oversight as to result in the Regional Office of Education #2 being considered a component unit of the entity.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Regional Office of Education #2's activities with most of the interfund activities removed. Governmental activities include programs supported primarily by State and federal grants and other intergovernmental revenues. The Regional Office of Education #2 has one business-type activity that relies on fees and charges for support.

The Regional Office of Education #2's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Regional Office of Education #2. These statements are presented on an "economic resources" measurement focus as prescribed by GASB Statement No. 34. All of the Regional Office of Education #2's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Assets. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges for services and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and proprietary funds are reported as separate columns in the fund financial statements.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, such as, payables, receivables and transfers. Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the governmental fund Balance Sheet and proprietary fund Statement of Net Assets and as other sources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and the proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Assets. All interfund transactions between governmental funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and business-type funds remain as due to/due from on the government-wide financial statements. The purpose of interfund borrowing and permanent transfers is to cover temporary or permanent shortfalls in cash flow within grant programs and funds.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

The governmental fund financial statements have been prepared in accordance with generally accepted accounting principles on the modified accrual basis. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenue received more than 60 days after the end of the current period is deferred in the governmental fund financial statements but is recognized as current revenue in the government-wide financial statements. 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.

PROPRIETARY FUND FINANCIAL STATEMENTS

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for the proprietary fund.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPRIETARY FUND FINANCIAL STATEMENTS (Continued)

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

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

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.

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

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Regional Office of Education #2; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Under the terms of grant agreements, Regional Office of Education #2 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 resources available to finance the program. It is Regional Office of Education #2's policy to first apply restricted funds, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned, if any.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND ACCOUNTING

The Regional Office of Education #2 uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Regional Office of Education #2 uses governmental, proprietary, and fiduciary funds.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the Regional Office of Education #2 are typically reported. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as a fund balance.

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

The Regional Office of Education #2 reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Regional Office of Education #2. It is used to account for all financial resources in the region except those required to be accounted for and reported in another fund. General funds include the following:

General State Aid - This fund accounts for unrestricted funding used to support the Regional Safe Schools and Truants Alternative/ Optional Education, and Adult Education programs.

Office Fund - This fund accounts for monies received from each of the five counties in the region for salaries, benefits, utilities, supplies, etc. of the Regional Office of Education #2.

Director's Fund - This fund accounts for the interest monies earned from the Distributive Fund which are used for the benefit of the Regional Office of Education #2 and its schools.

Major Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources (other than fiduciary or major capital projects) that are restricted to expenditures for specified purposes. Major special revenue funds include the following:

Education - This fund is used to account for and report the proceeds of specific revenue sources that are restricted by grant agreements or contracts to expenditures for specified purposes supporting education enhancement programs as follows:

Adult Education - This fund accounts for monies received from the Illinois Community College Board (ICCB) for academic and vocational adult education programs including the following:

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

Federal Basic - This fund accounts for federal monies received from the ICCB which provide for adult basic education (GED) services for adult education clients.

General Revenue - This fund accounts for monies accumulated over 35+ years from varying sources in order to support all functions of the Regional Office of Education #2's adult education program.

Performance - This fund accounts for State monies received from the ICCB that can be used for any purpose that supports the adult education program.

Public Assistance - This fund accounts for State funds received from the ICCB for vocational training for adult education clients including computer and certified nurse assistant classes.

Adult State 3-1 - This fund accounts for State funds received from the ICCB for vocational training and can be used the same as Public Assistance funds.

Vocational Flow-Through - This fund accounts for State funding received for vocational education programs.

Area 6 South Tech Hub - This fund provides support for technology services for the Regional Office of Education #2 and the school districts in its region.

Flexible Funding for Wraparound Plans - This fund provides services to at-risk clients from funds received from the Department of Children and Family Services.

ARRA Title I School Improvement and Accountability - This fund accounts for federal grant funding expended for the purpose of providing school improvement support and assistance to schools in year one and two of improvement status.

ARRA Education Jobs Fund - Provides assistance to States to save or create education jobs for the 2010-2011 school year.

Gifted Education - The purpose of this grant is to provide services, including professional development to teachers, to gifted students.

Kids in School (DHS) - This fund provides head lice shampoo and supplies to families who can't afford them in order to get their children back into school.

McKinney Education for Homeless Children - The fund provides educational services and strives to heighten community awareness of the need to serve the homeless population.

Mentoring New Principals - This fund provides mentoring services for new principals.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

Miscellaneous Grant Funds - This fund accounts for the revenue and expenditures of various federal, State, and local grant funds. For fiscal year 2011 revenues and expenditures related to the Meth grant awarded by FOCUS of Southern Illinois, Inc. and the IASA Job Bank were reported in this fund.

Regional Safe Schools - The fund provides instruction services and materials for safe school students referred to the Regional Office of Education #2 from local school districts.

Regional Office of Education/Intermediate Service Centers (ROE/ISC) Operations - This fund accounts for the grant monies received for and in payment of expenditures for assisting schools in all areas of school improvement.

Secretary of State Adult Volunteer Literacy - This fund provides volunteer tutoring services to individuals in the Regional Office of Education #2 area.

Service Fund - This fund accounts for local Masonic scholarship funds to provide scholarships to local high school graduates.

System of Support Title I - School Improvement and Accountability - This fund supports the improvement of basic programs operated by the Regional Office of Education #2 by providing professional development for data analysis, school improvement plan/development, standards-aligned curriculum/instruction, and classroom assessment to System of Support status schools on the Academic Early Warning and Watch.

System of Support Title II - School Teacher Quality Leadership Grant - This fund provides professional development to assist teachers in becoming better instructional leaders.

Title I - Migrant Education & Title I - Migrant Incentive Grant - These programs work with children of migrant families through the summer months to help them retain what was learned in the prior school year.

ARRA General State Aid Government SFSF (State Fiscal Stabilization Fund) - This fund supports and restores funding for education and early childhood programs and services, and supports public safety and modernization, renovation, or repair of public school facilities.

Title I - Reading First Part B SEA Funds - This fund provides comprehensive reading program training to teachers in order to facilitate student achievement in reading.

Truants Alternative/Optional Education - This fund provides alternative educational program services to truant students referred from local schools to the Regional Office of Education #2.

Workforce Investment Act - This program provides youth activities such as tutoring, summer employment opportunities, adult mentoring, and comprehensive guidance and counseling to individuals within the five county region.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

The Regional Office of Education #2 reports the following nonmajor governmental funds:

Nonmajor Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources (other than fiduciary or major capital projects) that are restricted to expenditures for specified purposes. Nonmajor special revenue funds include the following:

Institute - This fund accounts for teacher certificate registration, issuance and evaluation fees for processing certificates, and expenses for meetings of a professional nature. All funds generated remain restricted until expended only on the aforementioned activities.

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

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

General Education Development - This fund accounts for the receipts and expenses pertaining to the G.E.D./High School Equivalency program for high school dropouts.

PROPRIETARY FUND

Proprietary funds are those in which revenues and expenses related to services provided to organizations inside the Regional Office of Education #2 on a cost reimbursement basis are reported.

The Regional Office of Education #2 reports the following proprietary fund:

Workshops Fund - This fund accounts for the receipts and expenses pertaining to teacher meetings and workshops of a professional nature.

FIDUCIARY FUND

Agency Funds - Agency Funds are used to account for assets held by the Regional Office of Education #2 in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds include the following:

Distributive Fund - This fund accounts for the proceeds apportioned to the Region that in turn distributes the proceeds to the member school districts.

GOVERNMENTAL FUND BALANCES

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUND BALANCES (Continued)

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

Restricted Fund Balance - the portion of a Governmental Fund's net assets that are subject to external enforceable legal restrictions. The following accounts fund balances are restricted by grant agreements or contracts: Adult Education - General Revenue and Service Fund. The following funds are restricted by Illinois Statute: Institute and General Education Development.

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

Assigned Fund Balance - the portion of a Governmental Fund's net assets to denote an intended use of resources. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The following accounts' fund balances are assigned: General State Aid and Office Fund.

Unassigned Fund Balance - available expendable financial resources in a governmental fund that are not designated for a specific purpose. The unassigned fund balance is in the Director's Fund. Special revenue funds that present a deficit balance have also been reported as unassigned. Adult Education - Performance, Adult Education - Public Assistance, Adult Education - Adult State 3-1, ARRA Education Jobs Fund, ROE/ISC Operations, and Bus Driver Permit.

NET ASSETS

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

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

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

Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets."

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash on deposit. The Regional Office of Education #2 considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVENTORY

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

CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$500 or more and estimated useful lives of greater than two years are recorded at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Office Equipment and Furniture	5-10 years
Computer Equipment	3-5 years
Other Equipment	5-20 years

INTERFUND RECEIVABLES AND PAYABLES

The recordings of due from and due to other funds are a result of various borrowings between funds during the year.

ESTIMATES

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

BUDGET INFORMATION

The Regional Office of Education #2 acts as the administrative agent for certain grant programs that are accounted for within the Education Fund. These programs have separate budgets and are required to report to the Illinois State Board of Education and Illinois Community College Board; however, none of the annual budgets have been legally adopted, nor are they required to do so. Certain programs within the General Fund and the Special Revenue Funds do not have separate budgets. Comparisons of budgeted and actual results for the following programs are presented as supplementary information: Adult Education - Federal Basic, Adult Education - Performance, Adult Education - Public Assistance, Adult Education - State 3-1, Area 6 South Tech Hub, Gifted Education, McKinney Education for Homeless Children, Regional Safe Schools, ROE/ISC Operations, Secretary of State Adult Volunteer Literacy Grant, ARRA Title I School Improvement and Accountability, System of Support - Title I School Improvement and Accountability, System of Support - Title II Teacher Quality Leadership Grant, Title I - Migrant Education, Title I - Migrant Incentive, Title I - Reading First Part B SEA Funds, Truants Alternative/Optional Education, and Workforce Investment Act.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2011

2 DEPOSITS AND INVESTMENTS

The Regional Office of Education #2 does not have a formal investment policy. The Regional Office of Education #2 is allowed to invest in securities as authorized by 30 ILCS-235/2 and 6 and 105 ILCS-5/8-7.

A. DEPOSITS

At June 30, 2011, the carrying amount of the Regional Office of Education #2's government-wide and fiduciary fund deposits were \$1,357,554 and \$387,990 respectively, and the bank balances were \$1,575,899 and \$579,679, respectively. At June 30, 2011, \$441,681 of the Regional Office of Education #2's cash deposits was insured by the Federal Deposit Insurance Corporation. Another \$1,038,528 was collateralized by securities pledged by the Regional Office of Education #2's financial institution in the name of the Regional Office. The Illinois Funds Money Market accounts had a total balance of \$398,499 at June 30, 2011. This amount is fully collateralized and not subject to credit risk. Finally, another \$276,870 was uncollateralized.

B. INVESTMENTS

As of June 30, 2011, the Regional Office of Education #2 had investments with carrying and fair value of \$944,439 invested in certificates of deposit. Of this amount \$428,319 was insured by the Federal Deposit Insurance Corporation and the remaining \$516,120 was collateralized by securities pledged by the Regional Office of Education #2's financial institution in the name of the Regional Office.

C. RISK DISCLOSURES

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, the Regional Office of Education's deposits may not be returned to it. The Regional Office of Education #2 does not have a deposit policy for custodial credit risk but follows the Public Funds Investment Act (30 ILCS 235/2 and 6), and Section 8-7 of the School Code.

CREDIT RISK

At June 30, 2011, the Illinois Funds Money Market Fund had a Standard and Poor's AAAM rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants.

Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provision of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

INTEREST RATE RISK

The Illinois Funds Money Market Fund, created by the Illinois General Assembly, enables custodians of public funds an investment option with a competitive rate of return on fully collateralized investments and immediate access to the funds. The investment policy of the Illinois Funds Money Market 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 #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2011

3 DEFINED BENEFIT PENSION PLAN - ILLINOIS MUNICIPAL RETIREMENT FUND

A. PLAN DESCRIPTION

The Regional Office of Education #2'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 Regional Office of Education #2's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on line at www.imrf.org.

B. FUNDING POLICY

As set by statute, the Regional Office of Education #2's 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 own employees. The employer required contribution rate for calendar year 2010 was 9.10 percent of annual covered payroll. The Regional Office of Education #2 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.

C. ANNUAL PENSION COST

For calendar year ending December 31, 2010, the Regional Office of Education's actual contributions for pension cost for the Regular plan were \$30,344. Its required contribution for calendar year 2010 was \$51,184.

Three-Year Trend Information for the Regular Plan:

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/10	\$ 51,184	59%	\$ - *
12/31/09	23,388	100%	-
12/31/08	32,008	100%	-

* If you utilized the phase-in contribution rate, the net pension obligation will have to be recalculated.

The required contribution for 2010 was determined as part of the December 31, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008, included a) 7.5% investment rate of return (net of administrative and direct investment expenses), b) projected salary increases of 4.00% a year, attributable to inflation, c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and d) post retirement benefit increases of 3% annually. The actuarial value of Regional Office of Education #2's 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 Regional Office of Education #2's Regular plan's unfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on an open 10 year basis.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2011

3 DEFINED BENEFIT PENSION PLAN - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

D. FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2010, the most recent actuarial valuation date, the Regular plan was 84.53 percent funded. The actuarial accrued liability for benefits was \$1,089,025 and the actuarial value of assets was \$920,587, resulting in an unfunded actuarial accrued liability (UAAL) of \$168,438. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$333,447 and the ratio of the UAAL to the covered payroll was 51 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.

4 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

The Regional Office of Education #2 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 funding 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 nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2011, was 9.4% of creditable earnings. The same contribution rate applies to members whose first contributing service is on or after January 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4% for the years ended June 30, 2010 and 2009.

The State of Illinois makes contributions directly to TRS on behalf of the Regional Office of Education #2's TRS-covered employees:

ON BEHALF CONTRIBUTIONS TO TRS

The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #2. For the year ended June 30, 2011, the State of Illinois contributions were based on 23.10 percent of creditable earnings not paid from federal funds, and the Regional Office of Education #2 recognized revenue and expenditures of \$90,560 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2010 and June 30, 2009, the State of Illinois contribution rates as percentages of creditable earnings were 23.38 percent (\$107,120) and 17.08 percent (\$67,411), respectively.

The Regional Office of Education #2 makes other types of employer contributions directly to TRS:

2.2 FORMULA CONTRIBUTIONS

Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ending June 30, 2011 were \$1,969. Contributions for the years ending June 30, 2010, and June 30, 2009, were \$1,595 and \$2,289, respectively.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2011

4 TEACHER'S RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

FEDERAL AND SPECIAL TRUST FUND CONTRIBUTIONS

When TRS members are paid from federal and special trust funds administered by the Regional Office of Education #2, there is a statutory requirement for the Regional Office of Education #2 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS.

For the year ended June 30, 2011, the employer pension contribution was 23.10 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2010 and 2009, the employer contribution was 23.38 percent and 17.08 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2011, salaries totaling \$112,882 were paid from federal and special trust funds that required employer contributions of \$26,076. For the years ended June 30, 2010 and June 30, 2009, required Regional Office of Education #2 contributions were \$4,521 and \$27,838, respectively.

EARLY RETIREMENT OPTION (ERO)

The Regional Office of Education #2 is also required to make one-time employer contributions to TRS for members retiring under the early retirement option (ERO). The payments vary depending on the age and salary of the member.

The Regional Office of Education #2 is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member.

The maximum employer contribution is 117.5 percent and applies when the member is age 55 at retirement.

For the years ended June 30, 2011, 2010 and 2009, the Regional Office of Education #2 paid no employer contributions to TRS under the ERO program.

SALARY INCREASE OVER 6 PERCENT AND EXCESS SICK LEAVE

If an 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 years ended June 30, 2011, 2010 and 2009, the Regional Office of Education #11 paid no TRS for employer contributions due on salary increases in excess of 6 percent.

If an employer grants sick leave days in excess of the 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 (18.03 percent of salary during the year ended June 30, 2011 as recertified pursuant to Public Act 96-1511).

For the years ended June 30, 2011, 2010 and 2009, the Regional Office of Education #2 paid no employer contributions to TRS for sick leave days granted in excess of normal annual allotment.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2011

4 TEACHER'S RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

FURTHER INFORMATION ON TRS

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and State funding requirements can be found in the TRS Comprehensive Annual Financial Report for the year ended June 30, 2010. The report for the year ended June 30, 2011, is expected to be available in late 2011.

The reports may be obtained by writing to the Teacher's Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, Illinois 62794-9253. The most current report is also available on the TRS Web site at trs.illinois.gov.

5 TEACHER HEALTH INSURANCE SECURITY FUND

The Regional Office of Education #2 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants may participate in the state administered participating provider option plan or choose from several managed care options.

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

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

ON BEHALF CONTRIBUTIONS TO THIS FUND

The State of Illinois makes employer retiree health insurance contributions on behalf of the Regional Office of Education #2. State contributions are intended to match contributions to the THIS Fund from active members which were 0.88 percent of pay during the year ended June 30, 2011. State of Illinois contributions were \$2,735 and the Regional Office of Education #2 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the year ended June 30, 2010 was 0.84 percent of pay. State contributions on behalf of Regional Office of Education #2 employees were \$2,310.

Had the Regional Office of Education #2 recognized revenue and expenditures for State contributions intended to match active member contributions during the year ended June 30, 2009, under the current standards, the contribution match would have been 0.84 percent of pay or \$3,315.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2011

5 TEACHER HEALTH INSURANCE SECURITY FUND (Continued)

EMPLOYER CONTRIBUTIONS TO THIS FUND

The Regional Office of Education #2 also makes contributions to THIS Fund. The Regional Office of Education #2's contribution was 0.66 percent during the year ended June 30, 2011, and .63 during each of the years ended June 30, 2010, and June 30, 2009. For the year ended June 30, 2011, the Regional Office of Education #2 paid \$2,149 to the THIS Fund. For the years ended June 30, 2010 and 2009, the Regional Office of Education #2 paid \$1,732 and \$2,486, to the THIS Fund, respectively, which was 100 percent of the required contribution.

FURTHER INFORMATION ON THIS FUND

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

6 DUE TO/FROM OTHER FUNDS

Interfund due to / from other fund balances at June 30, 2011 consist of the following individual due to / from other funds in the governmental fund Balance Sheet. These balances were eliminated in the government-wide Statement of Net Assets. Interfund loans were made for the purpose of providing cash to funds that were awaiting reimbursements from grantors.

Fund	Due From Other Funds	Due To Other Funds
General Fund		
Director's Fund	\$ 495,404	\$ 346,250
General State Aid	357,975	13,230
Special Revenue Funds		
Nonmajor Special Revenue Funds		
Institute	-	7,729
Bus Driver Permit	-	3,263
Education Fund		
Workforce Investment Act	-	4,090
Area 6 South Tech Hub	-	11,099
ARRA Education Jobs Fund	-	25,805
ARRA Title I School Improvement and Accountability	-	77,547
Regional Safe Schools	-	37,577
ROE/ISC Operations	-	30,812
Title I Migrant Education	-	19,488
Title I Migrant Incentive Act	-	102
Truants Alternative Optional Education	-	118,177
Adult Education - Performance	-	23,857
Adult Education - Public Assistance	-	10,518
Adult Education - State 3-1	-	123,835
	\$ 853,379	\$ 853,379

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2011

7 ON BEHALF PAYMENTS

The State of Illinois paid the following salaries and benefits on behalf of the Regional Office of Education #2:

Regional Superintendent Salary	\$ 96,434
Regional Superintendent Fringe Benefit (Includes State paid insurance)	13,596
Assistant Regional Superintendent Salary	82,846
Assistant Regional Superintendent Fringe Benefit (Includes State paid insurance)	2,564
Contributions to TRS and THIS	<u>93,295</u>
Total	<u>\$ 288,735</u>

Salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education. These amounts have been recorded in the accompanying financial statements as State revenue and expenditures.

8 CAPITAL ASSETS

In accordance with GASB Statement No. 34, the Regional Office of Education #2 has reported capital assets in the government-wide Statement of Net Assets. Purchases are reported as capital outlay in the governmental fund statements. The following table provides a summary of changes in capital assets for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Education Fund				
Adult Education - Federal Basic	\$ 71,511	\$ -	\$ 21,805	\$ 49,706
Adult Education - General Revenue	110,881	9,526	899	119,508
Adult Education - Performance	96,211	9,060	1,976	103,295
Adult Education - Public Assistance	12,955	-	-	12,955
Adult Education - State 3-1	78,632	1,400	-	80,032
Area 6 Tech Hub	2,696	-	-	2,696
Breakfast Grant	1,398	-	-	1,398
DCEO Grant - Eliminate the Digital Divide	11,209	-	7,609	3,600
Federal Special Ed - IDEA Discretionary	6,886	-	-	6,886
Near and Far Sciences in Illinois	5,600	-	-	5,600
Reading First - Academics	7,823	-	2,650	5,173
Regional Safe Schools	79,007	-	1,427	77,580
ROE/ISC Operations	303,099	-	800	302,299
SOS FY05 Title V	2,949	-	-	2,949
SOS Title II	4,995	-	-	4,995
RESPRO Title I	-	8,378	-	8,378
State Aid	15,739	699	1,399	15,039
State Aid - Federal ARRA	8,391	-	-	8,391
Title IV - School & Drug Free/ Violence Prevention	5,293	-	1,420	3,873
Total for Education Funds	<u>825,275</u>	<u>29,063</u>	<u>39,985</u>	<u>814,353</u>

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2011

8 CAPITAL ASSETS (Continued)

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Total - Governmental Funds	825,275	29,063	39,985	814,353
Less: Accumulated Depreciation	<u>690,019</u>	<u>30,281</u>	<u>39,985</u>	<u>680,315</u>
Investment in Capital Assets, Net Governmental Activities	<u>\$ 135,256</u>	<u>\$ (1,218)</u>	<u>\$ -</u>	<u>\$ 134,038</u>
Business-Type Activities:				
Registration Fund	\$ 15,492	\$ 1,918	\$ -	\$ 17,410
Less: Accumulated Depreciation	<u>14,772</u>	<u>721</u>	<u>-</u>	<u>15,493</u>
Investment in Capital Assets, Net	<u>\$ 720</u>	<u>\$ 1,197</u>	<u>\$ -</u>	<u>\$ 1,917</u>

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense of \$30,281 and \$721 was charged to the governmental activities and business-type activities, respectively, on the government-wide Statement of Activities for the year ended June 30, 2011. Investment in capital assets is the component of net assets that reports capital assets net of accumulated depreciation.

9 DISTRIBUTIVE FUND INTEREST

A written agreement between the Regional Office of Education #2's school boards, which receive funds through the Regional Office of Education #2, provides for the retention of interest earned on the State Distributive Fund checking account by the Regional Superintendent to be used for the benefit of all of the districts in the region. During the year the distributive fund earned interest of \$4,243. At June 30, 2011 all accumulated interest had been distributed.

10 RISK MANAGEMENT

The Regional Office of Education #2 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Regional Office of Education #2 has purchased commercial insurance to cover these risks. During the year ended June 30, 2011, there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

11 INTERFUND ACTIVITY

Interfund transfers in/out to other funds at June 30, 2011 consist of the following individual transfers in/out to other funds in the fund statements. The transfer balances between governmental funds were eliminated in the government-wide Statement of Activities; however, the transfers between the governmental funds and the business-type funds were not eliminated.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2011

11 INTERFUND ACTIVITY (continued)

Fund	Transfer In	Transfer Out
General Fund		
Director's Fund	\$ 26	\$ -
General State Aid	-	11,946
Education Fund		
Workforce Investment Act	11,946	-
SOS Title II - School Teacher		
Quality Leadership Grant	-	26
	<u>\$ 11,972</u>	<u>\$ 11,972</u>

12 DUE TO/FROM OTHER GOVERNMENTS

The Regional Office of Education #2's General Fund, Education Fund, Agency Fund, and various grant programs have funds due to and due from various other governmental units which consist of the following:

Due from Other Governments:

General Fund	
Local Governments	\$ 62,675
Special Revenue Fund - Education Fund	
Illinois Community College Board	158,210
Illinois State Board of Education	318,420
Local Governments	17,287
Fiduciary Fund - Distributive Fund	
Illinois State Board of Education	<u>6,707,770</u>
Total	<u>\$ 7,264,362</u>

Due to Other Governments:

Special Revenue Fund - Education Fund	
Local School Districts	\$ 98,833
Fiduciary Fund - Distributive Fund	
Local School Districts	<u>7,095,760</u>
Total	<u>\$ 7,194,593</u>

13 OPERATING LEASES

The Regional Office of Education #2 has entered into several operating lease agreements for office facilities and a postage meter. During the year ended June 30, 2011 rentals under lease obligations were \$6,349. Future minimum rentals are as follows for the years ending June 30:

2012	\$ 3,154
2013	3,154
2014	<u>788</u>
Total	<u>\$ 7,096</u>

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2011

14 COMPENSATED ABSENCES

Vacation pay and sick pay are considered expenditures in the year paid. An employee may accumulate an unlimited number of vacation days for use in future years; however, upon termination, with a few exceptions, employees will only be paid a maximum of twenty days. At June 30, 2011, the liability for unused vacation days was \$12,547, and is shown on the Statement of Net Assets. The net increase in the amount of vacation pay that was earned by the Regional Office of Education #2's employees in the current year was \$879. Accumulated sick pay benefits are available to all full-time employees to use in future years. Unused sick pay is limited to a maximum of 48 days. Upon termination, the employee is not compensated for any unused sick days; therefore, no accruals or reserves have been established.

15 OTHER POSTEMPLOYMENT COMMITMENTS

The Regional Office of Education #2 has evaluated its potential other post employment benefits liability. Former employees who choose to retain their rights to health insurance through the Regional Office of Education #2 are required to pay 100% of the current premium. However, no former employees have chosen to stay in the Regional Office of Education #2's health insurance plan. Therefore, there has been zero percent utilization and therefore no implicit subsidy to calculate in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Additionally, the Regional Office of Education #2 had no former employees for which the Regional Office of Education #2 was providing an explicit subsidy and no current employees with agreements for future explicit subsidies upon retirement. Therefore, the Regional Office of Education #2 has not recorded any post employment benefit liability as of June 30, 2011.

16 OTHER REQUIRED FUND DISCLOSURES

Deficit fund balances at June 30, 2011 are as follows:

Special Revenue Funds		
Education Fund		
Adult Education Performance	\$	(17,041)
Adult Education Public Assistance		(7,513)
Adult Education State 3-1		(92,877)
ARRA Education Jobs Fund		(25,805)
ROE/ISC Operations		(5,142)
Nonmajor Special Revenue Funds		
Bus Driver Permit		(3,509)

17 RECLASSIFICATION

Due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances as originally reported for the year ended June 30, 2011 were required to be restated. The implementation of GASB Statement No. 54 resulted in an increase of \$1,712,043 from \$395,232 to \$2,107,275, in fund balance reported by the General Fund and a decrease of \$1,712,043 from \$1,692,293 to (\$19,750), in fund balance (deficit) reported by the Education Fund. These changes are due to the reclassification during fiscal year 2011 of the ROE/ISC Operations fund from the General Fund to the Education Fund, and the General State Aid fund from the Education Fund to the General Fund.

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS
(UNAUDITED)

JUNE 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/10	920,587	1,089,025	168,438	84.53%	333,447	50.51%
12/31/09	915,836	1,142,658	226,822	80.15%	354,904	63.91%
12/31/08	884,580	1,087,491	202,911	81.34%	393,216	51.60%

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$1,002,419

On a market basis, the funded ratio would be 92.05%.

See accompanying Independent Auditor's Report.

SUPPLEMENTAL INFORMATION

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND

JUNE 30, 2011

	General State Aid	Office Fund	Director's Fund	Total
Assets				
Cash and cash equivalents	\$ 833,023	\$ 244,356	\$ 424	\$ 1,077,803
Investments	894,439	-	-	894,439
Due from other funds	357,975	-	495,404	853,379
Due from other governments				
Local	-	62,675	-	62,675
	<u>\$ 2,085,437</u>	<u>\$ 307,031</u>	<u>\$ 495,828</u>	<u>\$ 2,888,296</u>
Liabilities and fund balance				
Liabilities				
Due to other funds	\$ 13,230	\$ -	\$ 346,250	\$ 359,480
Deferred revenue	1,335	48,111	-	49,446
	<u>14,565</u>	<u>48,111</u>	<u>346,250</u>	<u>408,926</u>
Fund balance				
Assigned	2,070,872	258,920	-	2,329,792
Unassigned	-	-	149,578	149,578
	<u>2,070,872</u>	<u>258,920</u>	<u>149,578</u>	<u>2,479,370</u>
Total fund balance	<u>2,070,872</u>	<u>258,920</u>	<u>149,578</u>	<u>2,479,370</u>
Total liabilities and fund balance	<u>\$ 2,085,437</u>	<u>\$ 307,031</u>	<u>\$ 495,828</u>	<u>\$ 2,888,296</u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS

For the Year Ended June 30, 2011

	General State Aid	Office Fund	Director's Fund	Total
Revenues				
Local sources	\$ 33,841	\$ 63,230	\$ 12,667	\$ 109,738
State sources	391,494	-	-	391,494
State sources-payments made on behalf of region	-	-	288,735	288,735
Federal sources	20,950	-	-	20,950
Total revenues	446,285	63,230	301,402	810,917
Expenditures				
Salaries and benefits	12,784	2,143	151	15,078
Purchased services	52,806	31,052	22,560	106,418
Supplies and materials	36,353	8,789	2,994	48,136
Capital outlay	699	-	-	699
Payments made on behalf of region	-	-	288,735	288,735
Total expenditures	102,642	41,984	314,440	459,066
Excess (deficiency) of revenues over (under) expenditures	343,643	21,246	(13,038)	351,851
Other financing sources (uses)				
Transfers in	-	-	26	26
Transfers out	(11,946)	-	-	(11,946)
Interest	27,132	584	4,448	32,164
Total other financing sources (uses)	15,186	584	4,474	20,244
Net change in fund balances	358,829	21,830	(8,564)	372,095
Fund balance - beginning (Restated - See note 17)	1,712,043	237,090	158,142	2,107,275
Fund balance - ending	\$ 2,070,872	\$ 258,920	\$ 149,578	\$ 2,479,370

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND ACCOUNTS

JUNE 30, 2011

	Adult Education	Area 6 South Tech Hub	Flexible Funding for Wraparound Plans	ARRA Title I School Improvement and Accountability	ARRA Education Jobs Fund	Gifted Education
Assets						
Cash and cash equivalents	\$ 41,834	\$ -	\$ 1,827	\$ -	\$ -	\$ 399
Investments	50,000	-	-	-	-	-
Due from other governments						
Local	-	11,099	-	-	-	-
State	158,210	-	-	86,561	25,805	-
Total assets	\$ 250,044	\$ 11,099	\$ 1,827	\$ 86,561	\$ 25,805	\$ 399
Liabilities and fund balance (deficit)						
Liabilities						
Due to other governments:						
Local	\$ -	\$ -	\$ -	\$ 9,014	\$ -	\$ 180
Due to other funds	158,210	11,099	-	77,547	25,805	-
Deferred revenue	121,303	-	1,827	-	25,805	219
Total liabilities	279,513	11,099	1,827	86,561	51,610	399
Restricted for educational purposes	87,962	-	-	-	-	-
Unassigned	(117,431)	-	-	-	(25,805)	-
Total fund balance (deficit)	(29,469)	-	-	-	(25,805)	-
Total liabilities and fund balance (deficit)	\$ 250,044	\$ 11,099	\$ 1,827	\$ 86,561	\$ 25,805	\$ 399

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND ACCOUNTS

JUNE 30, 2011

	Kids in School (DHS)	McKinney Education for Homeless Children	Mentoring New Principals	Miscellaneous Grant Funds	Regional Safe Schools	ROE/ISC Operations
Assets						
Cash and cash equivalents	\$ 900	\$ -	\$ 12,278	\$ 1,979	\$ -	\$ -
Investments	-	-	-	-	-	-
Due from other governments						
Local	-	-	-	2,098	-	-
State	-	-	-	-	37,577	30,812
Total assets	\$ 900	\$ -	\$ 12,278	\$ 4,077	\$ 37,577	\$ 30,812
Liabilities and fund balance (deficit)						
Liabilities						
Due to other governments:						
Local	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	37,577	30,812
Deferred revenue	900	-	12,278	4,077	-	5,142
Total liabilities	900	-	12,278	4,077	37,577	35,954
Restricted for educational purposes	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(5,142)
Total fund balance (deficit)	-	-	-	-	-	(5,142)
Total liabilities and fund balance (deficit)	\$ 900	\$ -	\$ 12,278	\$ 4,077	\$ 37,577	\$ 30,812

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND ACCOUNTS

JUNE 30, 2011

	Secretary of State Adult Volunteer Literacy	Service Fund	System of Support Title I - School Improvement and Accountability	System of Support Title II - School Teacher Quality Leadership Grant	Title I Migrant Education	ARRA General State Aid Government SFSF
Assets						
Cash and cash equivalents	\$ 15,335	\$ 7,177	\$ 144,174	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Due from other governments						
Local	-	-	-	-	-	-
State	-	-	-	-	19,488	-
Total assets	\$ 15,335	\$ 7,177	\$ 144,174	\$ -	\$ 19,488	\$ -
Liabilities and fund balance (deficit)						
Liabilities						
Due to other governments:						
Local	\$ -	\$ -	\$ 89,639	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	19,488	-
Deferred revenue	15,335	2,800	54,535	-	-	-
Total liabilities	15,335	2,800	144,174	-	19,488	-
Restricted for educational purposes	-	4,377	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance (deficit)	-	4,377	-	-	-	-
Total liabilities and fund balance (deficit)	\$ 15,335	\$ 7,177	\$ 144,174	\$ -	\$ 19,488	\$ -

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND ACCOUNTS

JUNE 30, 2011

	Title I Migrant Incentive Grant	Title I Reading First Part B SEA Funds	Truants Alternative Optional Education	Workforce Investment Act	Total
Assets					
Cash and cash equivalents	\$ 2,250	\$ -	\$ -	\$ -	\$ 228,153
Investments	-	-	-	-	50,000
Due from other governments					
Local	-	-	-	4,090	17,287
State	-	-	118,177	-	476,630
Total assets	<u>\$ 2,250</u>	<u>\$ -</u>	<u>\$ 118,177</u>	<u>\$ 4,090</u>	<u>\$ 772,070</u>
Liabilities and fund balance (deficit)					
Liabilities					
Due to other governments:					
Local	\$ -	\$ -	\$ -	\$ -	\$ 98,833
Due to other funds	102	-	118,177	4,090	482,907
Deferred revenue	2,148	-	-	-	246,369
Total liabilities	<u>2,250</u>	<u>-</u>	<u>118,177</u>	<u>4,090</u>	<u>828,109</u>
Restricted for educational purposes	-	-	-	-	92,339
Unassigned	-	-	-	-	(148,378)
Total fund balance (deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,039)</u>
Total liabilities and fund balance (deficit)	<u>\$ 2,250</u>	<u>\$ -</u>	<u>\$ 118,177</u>	<u>\$ 4,090</u>	<u>\$ 772,070</u>

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See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS

For the Year Ended June 30, 2011

	Adult Education	Area 6 South Tech Hub	Flexible Funding for Wraparound Plans	ARRA Title I School Improvement and Accountability	ARRA Education Jobs Fund	Gifted Education
Revenues						
Local sources	\$ 13,431	\$ -	\$ -	\$ -	\$ -	\$ -
State sources - FY11	149,413	11,099	-	-	-	31,646
State sources - FY10	64,233	-	-	-	-	-
Federal sources	178,364	-	-	140,000	-	-
Total revenues	405,441	11,099	-	140,000	-	31,646
Expenditures						
Salaries and benefits	356,800	10,727	-	70,307	272	18,230
Purchased services	70,544	372	-	38,373	25,533	13,405
Supplies and materials	54,206	-	-	11,082	-	43
Payments to other governments	-	-	-	20,238	-	-
Capital outlay	19,986	-	-	-	-	-
Total expenditures	501,536	11,099	-	140,000	25,805	31,678
Excess (deficiency) of revenues over expenditures	(96,095)	-	-	-	(25,805)	(32)
Other financing sources (uses):						
Transfer in	-	-	-	-	-	-
Transfer out	-	-	-	-	-	-
Interest	353	-	-	-	-	32
Total other financing sources (uses)	353	-	-	-	-	32
Net change in fund balances	(95,742)	-	-	-	(25,805)	-
Fund balance - beginning (Restated - See note 17)	66,273	-	-	-	-	-
Fund balance (deficit) - ending	<u>\$ (29,469)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,805)</u>	<u>\$ -</u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI AND UNION COUNTIES

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS

For the Year Ended June 30, 2011

	Kids in School (DHS)	McKinney Education for Homeless Children	Mentoring New Principals	Miscellaneous Grant Funds	Regional Safe Schools	ROE/ISC Operations
Revenues						
Local sources	\$ -	\$ -	\$ 8,252	\$ 4,900	\$ -	\$ -
State sources - FY11	668	-	-	-	67,637	46,206
State sources - FY10	-	-	-	-	34,353	-
Federal sources	-	13,000	-	-	-	-
Total revenues	668	13,000	8,252	4,900	101,990	46,206
Expenditures						
Salaries and benefits	-	6,387	-	-	60,879	49,873
Purchased services	-	1,334	8,000	4,907	3,459	1,475
Supplies and materials	672	5,279	252	-	3,299	-
Payments to other governments	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	672	13,000	8,252	4,907	67,637	51,348
Excess (deficiency) of revenues over expenditures	(4)	-	-	(7)	34,353	(5,142)
Other financing sources (uses):						
Transfer in	-	-	-	-	-	-
Transfer out	-	-	-	-	-	-
Interest	4	-	-	7	-	-
Total other financing sources (uses)	4	-	-	7	-	-
Net change in fund balances	-	-	-	-	34,353	(5,142)
Fund balance (deficit) - beginning (Restated - See note 17)	-	-	-	-	(34,353)	-
Fund balance (deficit) - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5,142)

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS

	For the Year Ended June 30, 2011					
	Secretary of State Adult Volunteer Literacy	Service Fund	System of Support Title I - School Improvement & Accountability	System of Support Title II - School Teacher Quality Leadership Grant	Title I Migrant Education	ARRA General State Aid Government SFSF
Revenues						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources - FY 11	30,443	-	-	-	-	-
State sources - FY 10	-	-	-	-	-	-
Federal sources	-	-	668,471	17,231	43,835	-
Total revenues	<u>30,443</u>	<u>-</u>	<u>668,471</u>	<u>17,231</u>	<u>43,835</u>	<u>-</u>
Expenditures						
Salaries and benefits	25,573	-	199,893	-	19,139	-
Purchased services	1,764	-	38,482	17,205	18,071	133
Supplies and materials	3,106	-	955	-	6,626	-
Payments to other governments	-	-	420,996	-	-	-
Capital outlay	-	-	8,378	-	-	-
Total expenditures	<u>30,443</u>	<u>-</u>	<u>668,704</u>	<u>17,205</u>	<u>43,836</u>	<u>133</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(233)</u>	<u>26</u>	<u>(1)</u>	<u>(133)</u>
Other financing sources (uses):						
Transfer in	-	-	-	-	-	-
Transfer out	-	-	-	(26)	-	-
Interest	-	19	233	-	1	-
Total other financing sources (uses)	<u>-</u>	<u>19</u>	<u>233</u>	<u>(26)</u>	<u>1</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>19</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(133)</u>
Fund balance - beginning (Restated - See note 17)	<u>-</u>	<u>4,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 4,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS

For the Year Ended June 30, 2011

	Title I Migrant Incentive Grant	Title I Reading First Part B SEA Funds	Truants Alternative Optional Education	Workforce Investment Act	Total
Revenues					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 26,583
State sources - FY 11	-	-	118,177	-	455,289
State sources - FY 10	-	-	49,062	-	147,648
Federal sources	1,507	3,088	-	7,122	1,072,618
Total revenues	<u>1,507</u>	<u>3,088</u>	<u>167,239</u>	<u>7,122</u>	<u>1,702,138</u>
Expenditures					
Salaries and benefits	-	508	95,834	9,021	923,443
Purchased services	-	2,580	18,803	2,889	267,329
Supplies and materials	1,507	2	3,540	59	90,628
Payments to other governments	-	-	-	-	441,234
Capital outlay	-	-	-	-	28,364
Total expenditures	<u>1,507</u>	<u>3,090</u>	<u>118,177</u>	<u>11,969</u>	<u>1,750,998</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(2)</u>	<u>49,062</u>	<u>(4,847)</u>	<u>(48,860)</u>
Other financing sources (uses):					
Transfer in	-	-	-	11,946	11,946
Transfer out	-	-	-	-	(26)
Interest	-	2	-	-	651
Total other financing sources (uses)	<u>-</u>	<u>2</u>	<u>-</u>	<u>11,946</u>	<u>12,571</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>49,062</u>	<u>7,099</u>	<u>(36,289)</u>
Fund balance (deficit) - beginning (Restated - See note 17)	<u>-</u>	<u>-</u>	<u>(49,062)</u>	<u>(7,099)</u>	<u>(19,750)</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (56,039)</u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
ADULT EDUCATION PROGRAMS

JUNE 30, 2011

	Federal Basic	General Revenue	Performance	Public Assistance	Adult State 3-1	Vocational Flow Through	Total
Assets							
Cash and cash equivalents	\$ -	\$ 37,962	\$ -	\$ -	\$ -	\$ 3,872	\$ 41,834
Investments	-	50,000	-	-	-	-	50,000
Due from other governments							
State	-	-	23,857	10,518	123,835	-	158,210
Total assets	<u>\$ -</u>	<u>\$ 87,962</u>	<u>\$ 23,857</u>	<u>\$ 10,518</u>	<u>\$ 123,835</u>	<u>\$ 3,872</u>	<u>\$ 250,044</u>
Liabilities and fund balance (deficit)							
Liabilities							
Due to other funds	\$ -	\$ -	\$ 23,857	\$ 10,518	\$ 123,835	\$ -	\$ 158,210
Deferred revenue	-	-	17,041	7,513	92,877	3,872	121,303
Total liabilities	<u>-</u>	<u>-</u>	<u>40,898</u>	<u>18,031</u>	<u>216,712</u>	<u>3,872</u>	<u>279,513</u>
Fund balance							
Restricted for educational purposes	-	87,962	-	-	-	-	87,962
Unassigned	-	-	(17,041)	(7,513)	(92,877)	-	(117,431)
Total fund balance (deficit)	<u>-</u>	<u>87,962</u>	<u>(17,041)</u>	<u>(7,513)</u>	<u>(92,877)</u>	<u>-</u>	<u>(29,469)</u>
Total liabilities and fund balance (deficit)	<u>\$ -</u>	<u>\$ 87,962</u>	<u>\$ 23,857</u>	<u>\$ 10,518</u>	<u>\$ 123,835</u>	<u>\$ 3,872</u>	<u>\$ 250,044</u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
ADULT EDUCATION PROGRAMS

For the Year Ended June 30, 2011

	Federal Basic	General Revenue	Performance	Public Assistance	Adult State 3-1	Vocational Flow Through	Total
Revenues							
Local sources	\$ -	\$ 13,431	\$ -	\$ -	\$ -	\$ -	\$ 13,431
State sources - FY11	-	-	23,857	10,517	92,876	22,163	149,413
State sources - FY10	-	-	9,137	5,705	49,391	-	64,233
Federal sources	178,364	-	-	-	-	-	178,364
Total revenues	<u>178,364</u>	<u>13,431</u>	<u>32,994</u>	<u>16,222</u>	<u>142,267</u>	<u>22,163</u>	<u>405,441</u>
Expenditures							
Salaries and benefits	138,042	10,869	12,950	15,126	158,569	21,244	356,800
Purchased services	17,994	14,713	13,249	2,533	21,134	921	70,544
Supplies and materials	22,346	21,193	5,646	371	4,650	-	54,206
Capital outlay	-	9,526	9,060	-	1,400	-	19,986
Total expenditures	<u>178,382</u>	<u>56,301</u>	<u>40,905</u>	<u>18,030</u>	<u>185,753</u>	<u>22,165</u>	<u>501,536</u>
Excess (deficiency) of revenues (under) expenditures	<u>(18)</u>	<u>(42,870)</u>	<u>(7,911)</u>	<u>(1,808)</u>	<u>(43,486)</u>	<u>(2)</u>	<u>(96,095)</u>
Other financing sources							
Interest	18	326	7	-	-	2	353
Total other financing sources	<u>18</u>	<u>326</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>353</u>
Net change in fund balance	-	(42,544)	(7,904)	(1,808)	(43,486)	-	(95,742)
Fund balance (deficit) - beginning	-	130,506	(9,137)	(5,705)	(49,391)	-	66,273
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ 87,962</u>	<u>\$ (17,041)</u>	<u>\$ (7,513)</u>	<u>\$ (92,877)</u>	<u>\$ -</u>	<u>\$ (29,469)</u>

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ADULT EDUCATION - FEDERAL BASIC

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 178,364	\$ 178,364	\$ 178,364
Total revenues	<u>178,364</u>	<u>178,364</u>	<u>178,364</u>
Expenditures			
Salaries and benefits	156,298	156,298	138,042
Purchased services	9,130	9,130	17,994
Supplies and materials	12,936	12,936	22,346
Total expenditures	<u>178,364</u>	<u>178,364</u>	<u>178,382</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(18)</u>
Other Financing Sources			
Interest	<u>-</u>	<u>-</u>	<u>18</u>
Total Other financing sources	<u>-</u>	<u>-</u>	<u>18</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance -beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ADULT EDUCATION - PERFORMANCE

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State - FY11	\$ 40,898	\$ 40,898	\$ 23,857
State - FY10	-	-	9,137
Total revenues	<u>40,898</u>	<u>40,898</u>	<u>32,994</u>
Expenditures			
Salaries and benefits	39,205	39,205	12,950
Purchased services	1,551	1,551	13,249
Supplies and materials	142	142	5,646
Capital outlay	-	-	9,060
Total expenditures	<u>40,898</u>	<u>40,898</u>	<u>40,905</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(7,911)</u>
Other Financing Sources			
Interest	-	-	7
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>7</u>
Net change in fund balance	-	-	(7,904)
Fund balance (deficit) -beginning	<u>-</u>	<u>-</u>	<u>(9,137)</u>
Fund balance (deficit) - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (17,041)</u></u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ADULT EDUCATION - PUBLIC ASSISTANCE

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State - FY11	\$ 18,030	\$ 18,030	\$ 10,517
State - FY10	-	-	5,705
Total revenues	<u>18,030</u>	<u>18,030</u>	<u>16,222</u>
Expenditures			
Salaries and benefits	17,484	17,484	15,126
Purchased services	546	546	2,533
Supplies and materials	-	-	371
Total expenditures	<u>18,030</u>	<u>18,030</u>	<u>18,030</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(1,808)</u>
Net change in fund balance	-	-	(1,808)
Fund balance (deficit) - beginning	<u>-</u>	<u>-</u>	<u>(5,705)</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,513)</u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ADULT EDUCATION - STATE 3-1

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State - FY11	\$ 185,753	\$ 185,753	92,876
State - FY10	-	-	49,391
Total revenues	-	-	142,267
Expenditures			
Salaries and benefits	172,202	172,202	158,569
Purchased services	12,213	12,213	21,134
Supplies and materials	1,338	1,338	4,650
Capital outlay	-	-	1,400
Total expenditures	185,753	185,753	185,753
(Deficiency) of revenues over expenditures	(185,753)	(185,753)	(43,486)
Net change in fund balance	(185,753)	(185,753)	(43,486)
Fund balance (deficit) - beginning	-	-	(49,391)
Fund balance (deficit) - ending	(185,753)	\$ (185,753)	\$ (92,877)

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
AREA 6 SOUTH TECH HUB

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 11,099	\$ 11,099	\$ 11,099
Total revenues	<u>11,099</u>	<u>11,099</u>	<u>11,099</u>
Expenditures			
Salaries and benefits	11,099	11,099	10,727
Purchased services	-	-	372
Total expenditures	<u>11,099</u>	<u>11,099</u>	<u>11,099</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance -beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ARRA TITLE I SCHOOL IMPROVEMENT AND ACCOUNTABILITY

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 140,000	\$ 140,000	\$ 140,000
Total revenues	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>
Expenditures			
Salaries and benefits	98,817	70,665	70,307
Purchased services	35,183	52,233	38,373
Supplies and materials	-	-	11,082
Payments to other governments	6,000	17,102	20,238
Total expenditures	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance -beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
GIFTED EDUCATION

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State	\$ 62,475	\$ 62,475	\$ 31,646
Total revenues	<u>62,475</u>	<u>62,475</u>	<u>31,646</u>
Expenditures			
Salaries and benefits	36,030	36,030	18,230
Purchased services	22,490	22,490	13,405
Supplies and materials	3,955	3,955	43
Total expenditures	<u>62,475</u>	<u>62,475</u>	<u>31,678</u>
(Deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(32)</u>
Other financing sources			
Interest	<u>-</u>	<u>-</u>	<u>32</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>32</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance -beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
MCKINNEY EDUCATION FOR HOMELESS CHILDREN

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal	\$ 13,000	\$ 13,000	\$ 13,000
Total revenues	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>
Expenditures			
Salaries and benefits	6,439	6,439	6,387
Purchased services	1,780	1,780	1,334
Supplies and materials	4,781	4,781	5,279
Total expenditures	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance -beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
REGIONAL SAFE SCHOOLS

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State - FY11	\$ 67,637	\$ 67,637	\$ 67,637
State - FY10	-	-	34,353
Total revenues	<u>67,637</u>	<u>67,637</u>	<u>101,990</u>
Expenditures			
Salaries and benefits	62,073	62,073	60,879
Purchased services	4,647	3,597	3,459
Supplies and materials	917	1,967	3,299
Total expenditures	<u>67,637</u>	<u>67,637</u>	<u>67,637</u>
Excess of revenues over expenditures	-	-	34,353
Net change in fund balance	-	-	34,353
Fund balance (deficit) -beginning	-	-	(34,353)
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ROE/ISC OPERATIONS

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 28,288	\$ 51,348	\$ 46,206
Total revenues	<u>28,288</u>	<u>51,348</u>	<u>46,206</u>
Expenditures			
Salaries and benefits	27,215	49,561	49,873
Purchased services	1,073	1,787	1,475
Total expenditures	<u>28,288</u>	<u>51,348</u>	<u>51,348</u>
(Deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(5,142)</u>
Net change in fund balance	-	-	(5,142)
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,142)</u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
SECRETARY OF STATE ADULT VOLUNTEER LITERACY GRANT

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State	\$ 45,740	\$ 45,740	\$ 30,443
Total revenues	<u>45,740</u>	<u>45,740</u>	<u>30,443</u>
Expenditures			
Salaries and benefits	28,768	29,743	25,573
Purchased services	12,272	12,322	1,764
Supplies and materials	1,100	2,350	3,106
Other objects	3,600	1,325	-
Total expenditures	<u>45,740</u>	<u>45,740</u>	<u>30,443</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance -beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
SYSTEM OF SUPPORT - TITLE I SCHOOL IMPROVEMENT AND ACCOUNTABILITY

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal	\$ 650,796	\$ 656,896	\$ 668,471
Total revenues	<u>650,796</u>	<u>656,896</u>	<u>668,471</u>
Expenditures			
Salaries and benefits	203,325	228,333	199,893
Purchased services	447,239	427,298	38,482
Supplies and materials	232	1,265	955
Payments to other governments	-	-	420,996
Capital outlay	-	-	8,378
Total expenditures	<u>650,796</u>	<u>656,896</u>	<u>668,704</u>
(Deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(233)</u>
Other financing sources			
Interest	<u>-</u>	<u>-</u>	<u>233</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>233</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance -beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
SYSTEM OF SUPPORT - TITLE II TEACHER QUALITY LEADERSHIP GRANT

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal	\$ 146,177	\$ 146,177	\$ 17,231
Total revenues	<u>146,177</u>	<u>146,177</u>	<u>17,231</u>
Expenditures			
Purchased services	144,677	144,677	17,205
Supplies and materials	1,500	1,500	-
Total expenditures	<u>146,177</u>	<u>146,177</u>	<u>17,205</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>26</u>
Other Financing (Uses)			
Transfers out	<u>-</u>	<u>-</u>	<u>(26)</u>
Total Other Financing (Uses)	<u>-</u>	<u>-</u>	<u>(26)</u>
Net change in fund balance	-	-	-
Fund balance -beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE I - MIGRANT EDUCATION

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal	\$ 45,719	\$ 45,719	\$ 43,835
Total revenues	<u>45,719</u>	<u>45,719</u>	<u>43,835</u>
Expenditures			
Salaries and benefits	23,738	23,738	19,139
Purchased services	20,506	18,156	18,071
Supplies and materials	1,475	3,825	6,626
Total expenditures	<u>45,719</u>	<u>45,719</u>	<u>43,836</u>
(Deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(1)</u>
Other financing sources			
Interest	-	-	1
Total other financing sources	<u>-</u>	<u>-</u>	<u>1</u>
Net change in fund balance	-	-	-
Fund balance -beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE 1 - MIGRANT INCENTIVE

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal	\$ 2,250	\$ 2,250	\$ 1,507
Total revenues	<u>2,250</u>	<u>2,250</u>	<u>1,507</u>
Expenditures			
Supplies and materials	<u>2,250</u>	<u>2,250</u>	<u>1,507</u>
Total expenditures	<u>2,250</u>	<u>2,250</u>	<u>1,507</u>
(Deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance -beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE I - READING FIRST PART B SEA FUNDS

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal	\$ 10,897	\$ 10,897	\$ 3,088
Total revenues	<u>10,897</u>	<u>10,897</u>	<u>3,088</u>
Expenditures			
Salaries and benefits	507	507	508
Purchased services	10,375	10,375	2,580
Supplies and materials	15	15	2
Total expenditures	<u>10,897</u>	<u>10,897</u>	<u>3,090</u>
(Deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(2)</u>
Other financing sources			
Interest	-	-	2
Total other financing sources	<u>-</u>	<u>-</u>	<u>2</u>
Net change in fund balance	-	-	-
Fund balance -beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TRUANTS ALTERNATIVE/OPTIONAL EDUCATION

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State - FY11	\$ 118,177	\$ 118,177	\$ 118,177
State - FY10	-	-	49,062
Total revenues	<u>118,177</u>	<u>118,177</u>	<u>167,239</u>
Expenditures			
Salaries and benefits	89,899	89,899	95,834
Purchased services	25,309	25,309	18,803
Supplies and materials	2,969	2,969	3,540
Total expenditures	<u>118,177</u>	<u>118,177</u>	<u>118,177</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>49,062</u>
Net change in fund balance	-	-	49,062
Fund balance (deficit) - beginning	<u>-</u>	<u>-</u>	<u>(49,062)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
WORKFORCE INVESTMENT ACT

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 24,482	\$ 24,482	\$ 7,122
Total revenues	<u>24,482</u>	<u>24,482</u>	<u>7,122</u>
Expenditures			
Salaries and benefits	21,580	21,580	9,021
Purchased services	2,902	2,902	2,889
Supplies and materials	-	-	59
Total expenditures	<u>24,482</u>	<u>24,482</u>	<u>11,969</u>
(Deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(4,847)</u>
Other financing sources			
Transfers in	-	-	11,946
Total other financing sources	<u>-</u>	<u>-</u>	<u>11,946</u>
Net change in fund balance	-	-	7,099
Fund balance (deficit) - beginning	<u>-</u>	<u>-</u>	<u>(7,099)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2011

	<u>Institute</u>	<u>Bus Driver Permit</u>	<u>Supervisory</u>	<u>General Education Development</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 10,501	\$ -	\$ -	\$ 6,404	\$ 16,905
Total assets	<u>\$ 10,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,404</u>	<u>\$ 16,905</u>
Liabilities and fund balance (deficit)					
Liabilities					
Accounts payable	\$ -	\$ 246	\$ -	\$ -	\$ 246
Due to other funds	7,729	3,263	-	-	10,992
Total liabilities	<u>7,729</u>	<u>3,509</u>	<u>-</u>	<u>-</u>	<u>11,238</u>
Fund balance (deficit)					
Restricted for educational purposes	2,772	-	-	6,404	9,176
Unassigned	-	(3,509)	-	-	(3,509)
Total fund balance (deficit)	<u>2,772</u>	<u>(3,509)</u>	<u>-</u>	<u>6,404</u>	<u>5,667</u>
Total liabilities and fund balance (deficit)	<u>\$ 10,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,404</u>	<u>\$ 16,905</u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2011

	Institute	Bus Driver Permit	Supervisory	General Education Development	Total
Revenues					
Local sources	\$ 9,081	\$ 1,521	\$ -	\$ 5,606	\$ 16,208
State sources	-	850	2	870	1,722
Total revenues	<u>9,081</u>	<u>2,371</u>	<u>2</u>	<u>6,476</u>	<u>17,930</u>
Expenditures					
Salaries and benefits	-	1,852	-	913	2,765
Purchased services	8,650	1,292	2	1,254	11,198
Supplies and materials	410	-	-	2,220	2,630
Total expenditures	<u>9,060</u>	<u>3,144</u>	<u>2</u>	<u>4,387</u>	<u>16,593</u>
Excess (deficiency) of revenues over expenditures	<u>21</u>	<u>(773)</u>	<u>-</u>	<u>2,089</u>	<u>1,337</u>
Other financing sources					
Interest	<u>3</u>	<u>-</u>	<u>-</u>	<u>12</u>	<u>15</u>
Total other financing sources	<u>3</u>	<u>-</u>	<u>-</u>	<u>12</u>	<u>15</u>
Net change in fund balance	24	(773)	-	2,101	1,352
Fund balance (deficit) - beginning	<u>2,748</u>	<u>(2,736)</u>	<u>-</u>	<u>4,303</u>	<u>4,315</u>
Fund balance (deficit) - ending	<u>\$ 2,772</u>	<u>\$ (3,509)</u>	<u>\$ -</u>	<u>\$ 6,404</u>	<u>\$ 5,667</u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND

For the Year Ended June 30, 2011

	Balance 6/30/10	Additions	Deductions	Balance 6/30/11
<u>Distributive Fund</u>				
Assets				
Cash and cash equivalents	\$ -	\$ 62,002,938	\$ 61,614,948	\$ 387,990
Due from other governments	6,179,843	6,707,770	6,179,843	6,707,770
	<u>\$ 6,179,843</u>	<u>\$ 68,710,708</u>	<u>\$ 67,794,791</u>	<u>\$ 7,095,760</u>
Total Assets				
Liabilities				
Due to other governments	\$ 6,179,843	\$ 68,710,708	\$ 67,794,791	\$ 7,095,760
	<u>\$ 6,179,843</u>	<u>\$ 68,710,708</u>	<u>\$ 67,794,791</u>	<u>\$ 7,095,760</u>
Total Liabilities				

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURER'S AND OTHER ENTITIES
DISTRIBUTIVE FUND
For the Year Ended June 30, 2011

Program Description	Program Number	Cairo SD #1	Egyptian CUSD 5	Goreville CUD 1	New Simpson Hill CD 32	Buncombe CSD	Cypress School #64	Janet Ulrich Reg. Supt. of Schools	Vienna High School Dist 13-3	Reading First
General State Aid - Sec. 18-8	3001	\$ 4,073,907	\$ 3,231,837	\$ 2,012,491	\$ 1,288,219	\$ 325,504	\$ 574,272	\$ -	\$ 1,519,019	-
Sp. Ed. - Private Facility Tuition	3100	-	-	-	-	-	-	-	-	-
Sp. Ed. - Extraordinary	3105	201,815	111,943	105,560	60,965	13,855	34,494	-	71,580	-
Sp. Ed. - Personnel	3110	173,757	139,846	108,516	26,900	19,500	22,076	-	41,186	-
Sp. Ed. - Orphanage - Individual	3120	35,239	4,291	35,141	-	-	-	-	-	-
Sp. Ed. - Summer	3145	-	-	-	-	-	-	-	-	-
Bilingual Ed. - Downstate - TPI & TBE	3305	-	-	-	-	-	-	-	-	-
State Free Lunch & Breakfast	3360	17,602	9,905	4,364	2,082	804	1,009	926	2,306	-
School Breakfast Incentive	3365	22	12	24	17	2	29	15	45	-
Driver Education	3370	7,835	5,396	8,708	-	-	-	-	22,879	-
Transportation - Regular	3500	160,130	235,076	489,336	170,699	16,485	113,350	-	133,278	-
Transportation - Special Education	3510	56,638	70,469	62,010	35,267	5,168	10,984	-	10,736	-
National Board Certification Initiative	3651	1,760	-	-	1,760	-	-	-	-	-
Truants Alternative/Operational Ed.	3695	32,242	-	-	-	-	-	-	-	-
Regional Safe Schools	3696	-	-	-	-	-	-	-	-	-
Early Childhood - State Preschool at Risk	3705	342,326	323,166	372,335	93,210	-	58,588	-	-	-
K-6 Reading Improvement	3715	31,658	11,604	7,796	5,193	1,793	2,620	-	-	-
ROE/ISC Operations	3730	-	-	-	-	-	-	-	-	-
ADA Safety & Educational Block Grant	3775	2,305	2,404	2,428	1,115	-	494	-	1,684	-
Summer Bridges	3825	-	-	-	-	-	-	-	-	-
Arts & Foreign Language	3962	-	14,146	-	-	-	-	-	-	-
Children Mental Health Partnership	3990	-	-	-	-	-	-	-	-	-
Title IV - Rural Education Init.	4107	1,559	-	-	-	-	-	-	-	-
National School Lunch Program	4210	165,342	107,632	76,947	48,452	16,625	24,576	12,519	38,866	-
School Breakfast Program	4220	88,087	50,356	20,620	14,782	8,154	13,102	6,931	19,030	-
Fresh Fruits and Vegetables	4240	9,316	-	-	-	-	-	-	-	-
NSLP Equipment Assistance Grant	4260	-	-	-	-	-	-	-	-	-
IASA - Title I - Low Income	4300	829,472	528,961	95,339	78,426	39,902	45,529	-	53,385	-
IASA - Title I - School Improvement	4331	-	-	-	-	-	-	-	-	-
Title I Reading First Part B SEA Funds	4337	-	-	-	-	-	-	-	-	4,826
School Improvement Grant Section 1003	4339	-	-	-	-	-	-	-	-	-
Title I Migrant Education	4340	-	-	-	-	-	-	-	-	-
IASA Drug Free Schools - Formula	4400	-	-	-	-	325	312	-	-	-
Title IV - 21 Century CLC	4421	40,513	19,587	-	-	-	-	-	-	-
Fed Sp. Ed. - IDEA - Flow Through	4620	-	-	-	-	-	-	-	-	-
Fed Sp. Ed. - Preschool Flow Through	4600	-	-	-	-	-	-	-	-	-
Fed Sp. Ed. - IDEA - Room & Board	4625	-	-	-	987	-	-	-	-	-
ARRA-Title I-Low Income	4851	79,582	39,240	5,163	-	-	-	-	-	-
ARRA - Title I - Professional Development	4854	-	-	-	-	-	-	53,439	-	-
ARRA - School Improvement	4855	-	834,209	-	-	-	-	-	-	-
ARRA -Fed Sp. Ed. - Preschool Flow Through	4856	-	-	-	-	-	-	-	-	-
ARRA - Fed Sp. Ed. - IDEA - Room & Board	4857	-	-	-	-	-	-	-	-	-
ARRA-Tech-Enhancing Education	4861	-	-	-	-	-	-	-	-	-
ARRA - Education Jobs Fund Program	4880	370,927	294,259	-	117,292	29,637	52,287	-	138,307	-
Learn & Serve America	4910	-	-	-	-	-	-	-	-	-
Title II - Teacher Quality	4932	117,766	60,350	16,834	16,377	6,353	15,335	-	20,543	-
IASA - Title II - Teacher Quality	4935	-	-	-	-	-	-	-	-	-
Technology Enhancing Education - Formula	4971	-	-	-	-	184	-	-	-	-
		<u>\$ 6,839,799</u>	<u>\$ 6,094,689</u>	<u>\$ 3,423,612</u>	<u>\$ 1,961,744</u>	<u>\$ 484,291</u>	<u>\$ 969,057</u>	<u>\$ 73,830</u>	<u>\$ 2,072,844</u>	<u>\$ 4,826</u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURER'S AND OTHER ENTITIES
DISTRIBUTIVE FUND
For the Year Ended June 30, 2011

Program Description	Program Number	Massac UD 1	Joppa-Maple Grove UD 38	Meridian CUSD #101	Lick Creek CCSD #16	Cobden SUD 17	Anna School Dist #37	Jonesboro CCSD #43	Anna-Jonesboro CHSD #81	Shawnee CUSD 84
General State Aid - Sec. 18-8	3001	\$ 8,890,884	\$ 243,796	\$ 3,926,851	\$ 491,247	\$ 3,161,386	\$ 2,857,629	\$ 1,841,186	\$ 2,115,564	825,212
Sp. Ed. - Private Facility Tuition	3100	5,248	6,674	-	-	-	-	-	-	-
Sp. Ed. - Extraordinary	3105	449,907	53,190	212,873	24,230	117,142	132,770	75,128	103,118	92,604
Sp. Ed. - Personnel	3110	281,492	42,485	123,579	11,294	85,152	116,563	57,485	41,387	102,968
Sp. Ed. - Orphanage - Individual	3120	58,735	-	30,026	-	38,039	-	-	-	754
Sp. Ed. - Summer	3145	8,516	-	-	-	-	-	-	-	-
Bilingual Ed. - Downstate - TPI & TBE	3305	-	-	-	-	11,849	-	-	-	-
State Free Lunch & Breakfast	3360	27,476	4,683	17,350	1,007	7,090	10,450	5,423	1,630	6,944
School Breakfast Incentive	3365	74	27	9	-	39	38	9	1	81
Driver Education	3370	32,261	2,805	11,007	-	9,216	20,417	-	6,806	9,496
Transportation - Regular	3500	445,167	152,737	513,386	53,595	141,585	27,804	56,197	165,570	329,428
Transportation - Special Education	3510	257,083	10,270	8,898	15,626	124,286	55,917	43,168	15,514	66,512
National Board Certification Initiative	3651	3,521	-	-	-	-	-	-	-	-
Truants Alternative/Operational Ed.	3695	-	-	-	-	-	-	-	-	-
Regional Safe Schools	3696	-	-	-	-	-	-	-	-	-
Early Childhood - State Preschool at Risk	3705	369,350	85,309	302,225	38,450	120,000	90,000	151,707	-	-
K-6 Reading Improvement	3715	35,784	6,235	30,897	2,421	10,199	17,527	9,309	-	9,611
ROE/ISC Operations	3730	-	-	-	-	-	-	-	-	-
ADA Safety & Educational Block Grant	3775	9,438	1,212	2,726	555	2,649	2,977	1,697	2,371	2,046
Summer Bridges	3825	-	-	41,026	-	-	-	-	-	-
Arts & Foreign Language	3962	-	-	-	-	-	21,741	-	-	-
Children Mental Health Partnership	3990	-	3,502	-	-	-	-	-	-	-
Title IV - Rural Education Init.	4107	-	-	4,112	-	-	-	-	-	-
National School Lunch Program	4210	418,914	63,458	220,859	19,538	117,865	146,360	98,660	38,013	101,627
School Breakfast Program	4220	158,653	32,696	85,298	10,242	38,246	55,467	38,627	10,361	43,803
Fresh Fruits and Vegetables	4240	592	-	14,609	-	4,073	-	-	-	-
NSLP Equipment Assistance Grant	4260	-	-	28,712	-	-	-	-	-	-
IASA - Title I - Low Income	4300	467,585	163,901	534,618	18,733	155,174	175,748	144,034	133,809	205,488
IASA - Title I - School Improvement	4331	-	-	-	-	-	-	-	-	-
Title I Reading First Part B SEA Funds	4337	-	-	-	-	-	-	-	-	-
School Improvement Grant Section 1003	4339	-	-	105,505	-	-	-	-	-	-
Title I Migrant Education	4340	-	-	-	-	-	-	-	-	-
IASA Drug Free Schools - Formula	4400	-	164	613	-	-	2,054	106	-	-
Title IV - 21 Century CLC	4421	-	-	306,562	-	-	-	-	-	-
Fed Sp. Ed. - IDEA - Flow Through	4620	402,369	-	-	-	-	-	-	-	-
Fed Sp. Ed. - Preschool Flow Through	4600	10,556	-	-	-	-	-	-	-	-
Fed Sp. Ed. - IDEA - Room & Board	4625	70,488	21,518	-	-	139	1,617	24	170	-
ARRA-Title I-Low Income	4851	40,365	10,655	73,812	-	11,235	29,466	-	-	-
ARRA - Title I - Professional Development	4854	-	-	-	-	-	-	-	-	-
ARRA - School Improvement	4855	-	-	-	-	-	-	-	-	-
ARRA -Fed Sp. Ed. - Preschool Flow Through	4856	2,211	-	-	-	-	-	-	-	-
ARRA - Fed Sp. Ed. - IDEA - Room & Board	4857	167,748	-	-	-	-	-	-	-	-
ARRA-Tech-Enhancing Education	4861	-	-	-	-	-	117,698	-	-	-
ARRA - Education Jobs Fund Program	4880	809,515	22,198	262,258	28,412	287,844	260,187	167,640	192,622	5,886
Learn & Serve America	4910	7,500	-	-	-	-	-	-	-	-
Title II - Teacher Quality	4932	143,686	34,903	118,400	7,769	29,160	66,151	27,609	27,931	39,611
IASA - Title II - Teacher Quality	4935	-	-	-	-	-	-	-	-	-
Technology Enhancing Education - Formula	4971	-	-	-	-	400	868	-	1,095	-
		<u>\$ 13,575,118</u>	<u>\$ 962,418</u>	<u>\$ 6,976,211</u>	<u>\$ 723,119</u>	<u>\$ 4,472,768</u>	<u>\$ 4,209,449</u>	<u>\$ 2,718,009</u>	<u>\$ 2,855,962</u>	<u>\$ 1,842,071</u>

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURER'S AND OTHER ENTITIES
DISTRIBUTIVE FUND
For the Year Ended June 30, 2011

Program Description	Program Number	ROE/ISC Operations	Truant/ Alternative Education	Regional Safe Schools	IASA Title I - Low Income	Title II Teacher Quality	General State Aid SS/Jr. High	System of Support	Total
General State Aid - Sec. 18-8	3001	-	\$ -	\$ -	\$ -	\$ -	\$ 390,553	\$ -	\$ 37,769,557
Sp. Ed. - Private Facility Tuition	3100	-	-	-	-	-	-	-	11,922
Sp. Ed. - Extraordinary	3105	-	-	-	-	-	-	-	1,861,174
Sp. Ed. - Personnel	3110	-	-	-	-	-	-	-	1,394,186
Sp. Ed. - Orphanage - Individual	3120	-	-	-	-	-	-	-	202,225
Sp. Ed. - Summer	3145	-	-	-	-	-	-	-	8,516
Bilingual Ed. - Downstate - TPI & TBE	3305	-	-	-	-	-	-	-	11,849
State Free Lunch & Breakfast	3360	-	-	-	-	-	-	-	121,051
School Breakfast Incentive	3365	-	-	-	-	-	-	-	444
Driver Education	3370	-	-	-	-	-	-	-	136,826
Transportation - Regular	3500	-	-	-	-	-	-	-	3,203,823
Transportation - Special Education	3510	-	-	-	-	-	-	-	848,546
National Board Certification Initiative	3651	-	-	-	-	-	-	-	7,041
Truants Alternative/Operational Ed.	3695	-	81,770	-	-	-	-	-	114,012
Regional Safe Schools	3696	-	-	87,315	-	-	-	-	87,315
Early Childhood - State Preschool at Risk	3705	-	-	-	-	-	-	-	2,346,666
K-6 Reading Improvement	3715	-	-	-	-	-	-	-	182,647
ROE/ISC Operations	3730	29,957	-	-	-	-	-	-	29,957
ADA Safety & Educational Block Grant	3775	-	-	-	-	-	-	-	36,101
Summer Bridges	3825	-	-	-	-	-	-	-	41,026
Arts & Foreign Language	3962	-	-	-	-	-	-	-	35,887
Children Mental Health Partnership	3990	-	-	-	-	-	-	-	3,502
Title IV - Rural Education Init.	4107	-	-	-	-	-	-	-	5,671
National School Lunch Program	4210	-	-	-	-	-	-	-	1,716,253
School Breakfast Program	4220	-	-	-	-	-	-	-	694,455
Fresh Fruits and Vegetables	4240	-	-	-	-	-	-	-	28,590
NSLP Equipment Assistance Grant	4260	-	-	-	-	-	-	-	28,712
IASA - Title I - Low Income	4300	-	-	-	-	-	-	-	3,670,104
IASA - Title I - School Improvement	4331	-	-	-	667,317	-	-	-	667,317
Title I Reading First Part B SEA Funds	4337	-	-	-	-	-	-	-	4,826
School Improvement Grant Section 1003	4339	-	-	-	-	-	-	-	105,505
Title I Migrant Education	4340	-	-	-	-	-	-	48,219	48,219
IASA Drug Free Schools - Formula	4400	-	-	-	-	-	-	-	3,574
Title IV - 21 Century CLC	4421	-	-	-	-	-	-	-	366,662
Fed Sp. Ed. - IDEA - Flow Through	4620	-	-	-	-	-	-	-	402,369
Fed Sp. Ed. - Preschool Flow Through	4600	-	-	-	-	-	-	-	10,556
Fed Sp. Ed. - IDEA - Room & Board	4625	-	-	-	-	-	-	-	94,943
ARRA-Title I-Low Income	4851	-	-	-	-	-	-	-	289,518
ARRA - Title I - Professional Development	4854	-	-	-	-	-	-	-	53,439
ARRA - School Improvement	4855	-	-	-	-	-	-	-	834,209
ARRA -Fed Sp. Ed. - Preschool Flow Through	4856	-	-	-	-	-	-	-	2,211
ARRA - Fed Sp. Ed. - IDEA - Room & Board	4857	-	-	-	-	-	-	-	167,748
ARRA-Tech-Enhancing Education	4861	-	-	-	-	-	-	-	117,698
ARRA - Education Jobs Fund Program	4880	-	-	-	-	-	-	-	3,039,271
Learn & Serve America	4910	-	-	-	-	-	-	-	7,500
Title II - Teacher Quality	4932	-	-	-	-	-	-	-	748,778
IASA - Title II - Teacher Quality	4935	-	-	-	-	50,000	-	-	50,000
Technology Enhancing Education - Formula	4971	-	-	-	-	-	-	-	2,547
		\$ 29,957	\$ 81,770	\$ 87,315	\$ 667,317	\$ 50,000	\$ 390,553	\$ 48,219	\$ 61,614,948

See accompanying Independent Auditor's Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2011

<u>Federal Grantor/Pass Through Grantor, Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Project # or Contract #</u>	<u>Expenditures 7/1/10-6/30/11</u>
U.S. Department of Education			
Passed through Illinois Community College Board			
Adult Education - Basic Grants to States			
Adult Education - Federal Basic	84.002A	531AA	\$ 178,364
U.S. Department of Education			
Passed through Illinois State Board of Education			
Title I Grants to Local Education Agencies			
System of Support Title I - School Improvement & Accountability	84.010A	11-4331-SS	602,250 (M)
System of Support Title I - School Improvement & Accountability	84.010A	10-4331-SS	66,221 (M)
ARRA Title I - School Improvement & Accountability	84.389A	11-4854-00	140,000 (M)
Total Title I - School Improvement & Accountability Cluster			<u>808,471</u>
Migrant Education - State Grant Programs			
Title I - Migrant Education	84.011A	11-4340-01	19,465
Title I - Migrant Education	84.011A	10-4340-01	24,370
Total Migrant Education - State Grant Programs			<u>43,835</u>
Migrant Education - Coordination Program			
Title I - Migrant Incentive Grant	84.144F	11-4341-00	102
Title I - Migrant Incentive Grant	84.144F	10-4341-00	1,405
Total Migrant Education - Coordination Program			<u>1,507</u>
Reading First State Grants			
Title I - Reading First Part B SEA Funds	84.357A	10-4337-00	3,088
Improving Teacher Quality State Grants			
System of Support Title II - Teacher Quality Leadership Grant	84.367A	10-4935-SS	17,231
Total passed through Illinois State Board of Education			<u>874,132</u>
Passed through Regional Office of Education #21:			
Education for Homeless Children and Youth Cluster			
Education for Homeless Children and Youth, Recovery Act			
ARRA McKinney Education for Homeless Children	84.387A	11-4862-00	1,500
Education for Homeless Children and Youth			
McKinney Education for Homeless Children	84.196A	11-4920-00	13,000
Total Education for Homeless Children and Youth Cluster			<u>14,500</u>
Total passed through Regional Office of Education #21			<u>14,500</u>
Total U.S. Department of Education			<u>1,066,996</u>
U.S. Department of Agriculture			
Passed through Illinois State Board of Education:			
School Nutrition Cluster			
School Breakfast Program	10.553	11-4220-00	5,741
School Breakfast Program	10.553	10-4220-00	1,190
Total School Breakfast Program			<u>6,931</u>
National School Lunch Program	10.555	11-4210-00	10,634
National School Lunch Program	10.555	10-4210-00	1,885
Total National School Lunch Program			<u>12,519</u>
Total School Nutrition Cluster passed through Illinois State Board of Education			<u>19,450</u>
Total U.S. Department of Agriculture			<u>19,450</u>
U.S. Department of Labor			
Passed through the Shawnee Development Council:			
Workforce Investment Act	17.259	2011	7,122
Total U.S. Department of Labor			<u>7,122</u>
Total Expenditures of Federal Awards			<u>\$ 1,093,568</u>

(M) Program was audited as a major program.

The accompanying notes are an integral part of this schedule.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2011

1 REPORTING ENTITY BASIS OF PRESENTATION AND ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Regional Office of Education #2 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented on this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2 SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Regional Office of Education #2 provided federal awards to subrecipients as follows:

Program title: System of Support Title I - School Improvement & Accountability
Federal CFDA # 84.010A
Amount provided to subrecipients: \$420,996

Program title: ARRA Title I - School Improvement & Accountability
Federal CFDA # 84.389A
Amount provided to subrecipients: \$20,238

3 DESCRIPTION OF MAJOR FEDERAL PROGRAM

Title I - School Improvement and Accountability - Cluster - This program is designed to provide assistance to those schools/districts that do not meet Adequate Yearly Progress (AYP) as defined by the No Child Left Behind Act.

4 NON-CASH ASSISTANCE

None

5 AMOUNT OF INSURANCE

None

6 LOANS OR LOAN GUARANTEES OUTSTANDING

None