



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #8
CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2010

Release Date: June 28, 2011

Summary of Findings:

Total this audit:	1
Total last audit:	0
Repeated from last audit:	0

SYNOPSIS

- The Regional Office of Education #8 did not properly recognize and disclose expenses and liabilities related to postemployment benefits other than pensions as required by Governmental Accounting Standards Board Statement No. 45.

{Revenues and expenditures are summarized on the reverse page.}

REGIONAL OFFICE OF EDUCATION #8
CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2010

	FY 2010	FY 2009
TOTAL REVENUES	\$4,915,074	\$5,349,875
Local Sources	\$1,367,761	\$1,873,136
% of Total Revenues	27.83%	35.01%
State Sources	\$3,280,369	\$3,014,210
% of Total Revenues	66.74%	56.34%
Federal Sources	\$266,944	\$462,529
% of Total Revenues	5.43%	8.65%
TOTAL EXPENDITURES	\$4,768,538	\$5,393,980
Salaries and Benefits	\$1,914,250	\$1,918,420
% of Total Expenditures	40.14%	35.57%
Purchased Services	\$1,956,635	\$2,000,447
% of Total Expenditures	41.03%	37.09%
All Other Expenditures	\$897,653	\$1,475,113
% of Total Expenditures	18.82%	27.35%
TOTAL NET ASSETS	\$831,261	\$684,725 ¹
INVESTMENT IN CAPITAL ASSETS	\$56,610	\$59,019 ¹
¹ Includes a restatement of FY 09 beginning net assets due to a reclassification of an Agency Fund. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT

During Audit Period: Honorable Marie Stiefel
Currently: Honorable Marie Stiefel

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**DEPARTURE FROM GENERALLY ACCEPTED
ACCOUNTING PRINCIPLE**

The Regional Office of Education #8 did not properly recognize and disclose expenses and liabilities related to postemployment benefits other than pensions as required by Governmental Accounting Standards Board Statement No. 45.

The Regional Office of Education #8 did not properly recognize and disclose expenses and liabilities related to postemployment benefits other than pensions as required by Governmental Accounting Standards Board Statement No. 45. The Illinois Administrative Code (74 Ill. Adm. Code 420.320 (c) (1) and (2)) requires that each Regional Office of Education maintain the accounting records necessary to prepare financial statements in accordance with generally accepted accounting principles (GAAP).

Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB), requires that employers recognize and disclose OPEB expense. Net OPEB obligations, if any, should be reported as liabilities (or assets if overfunded) in the financial statements. For financial reporting purposes, an actuarial valuation is required to measure and disclose the annual OPEB cost. In certain circumstances, an alternative measurement method can be applied instead of obtaining an actuarial valuation.

The Regional Office of Education #8 participates in a defined benefit OPEB plan that provides postemployment benefits other than pensions to its employees in exchange for employee services rendered. Under accrual accounting, the cost of OPEB, and any related OPEB liability, should generally be recorded in the period when the exchange for employees' services occurs, rather than when the benefits are paid. Currently, the Regional Office OPEB plan is financed on a pay-as-you-go basis, and as such, the financial statements do not report the financial effects of OPEB until the promised benefits are paid.

The Regional Office did not obtain an actuarial valuation of its postemployment benefits other than pensions liability, or apply the alternative measurement method in order to be in compliance with GASB Statement No. 45.

In the absence of the actuarial valuation, or the alternative measurement method, the auditors could not reasonably determine the amount by which this departure would affect the liabilities, fund balances, and expenditures of the Regional Office of Education #8 as of June 30, 2010.

Failure to apply the accounting and reporting requirements of GASB Statement No. 45 could result in misstatements of the

Regional Office of Education #8 financial statements. This could also result in inaccurate and incomplete disclosure of the OPEB plan description, the funding policy, and the annual OPEB and net OPEB obligation.

According to Regional Office management, noncompliance with GASB No. 45 was due to budget restraints and the overall complexity of the pronouncement. (Finding 10-1, pages 9a-9b)

The auditors recommended that the Regional Office of Education #8 obtain or perform an actuarial valuation of its other postemployment benefit liability to be in compliance with GASB Statement No. 45 and include all disclosures required by the Statement in its financial statements.

The Regional Office of Education #8 responded that it understands the nature of this finding. It noted that because FY10 was a difficult budget year due to severely delayed payments from the State of Illinois, and because the Regional Office could see little actual benefit to be gained relative to the added expense of obtaining an actuarial valuation of its post-employment benefits other than pensions liability, the office chose to accept the degree of risk associated with this condition. The Regional Office noted that in the coming year it will consider obtaining an actuarial valuation in order to be in compliance with GASB 45.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #8's financial statements as of June 30, 2010 are fairly stated in all material respects except for the effects of not providing OPEB obligations in the Statement of Net Assets and the Statement of Activities. Disclosure of that information is required to conform with accounting principles generally accepted in the United States of America.

WILLIAM G. HOLLAND
Auditor General

WGH:KJM

AUDITORS ASSIGNED: Wipfli LLP were our special assistant auditors.