

State of Illinois  
CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
FINANCIAL AUDIT  
For the Year Ended June 30, 2013

Performed as Special Assistant Auditors  
for the Office of the Auditor General

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
JUNE 30, 2013

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CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
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CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
JUNE 30, 2013

OFFICIALS

Regional Superintendent  
(Current and during the audit period)

Ms. Marchelle Kassebaum

Assistant Regional Superintendent  
(Current, Acting Effective July 16, 2012)

Mr. Greg Patrick

Assistant Regional Superintendent  
(July 1, 2012 through July 15, 2012)

No Assistant Regional  
Superintendent

Offices are located at:

203 South Main Street  
Hillsboro, IL 62049

101 South Main Street  
Taylorville, IL 62568

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
JUNE 30, 2013

FINANCIAL REPORT SUMMARY

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

AUDITORS' REPORTS

The auditors' reports do not contain scope limitations, disclaimers, or other significant nonstandard language.

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	0	0
Repeated audit findings	0	0
Prior recommendations implemented or not repeated	0	0

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

SUMMARY OF FINDINGS AND RESPONSES

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
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FINDINGS (*GOVERNMENT AUDITING STANDARDS*)

None

PRIOR FINDINGS NOT REPEATED (*GOVERNMENT AUDITING STANDARDS*)

None

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
JUNE 30, 2013

FINANCIAL REPORT SUMMARY (Concluded)

EXIT CONFERENCE

An informal exit conference was held on August 20, 2013. Attending were Marchelle Kassebaum, Regional Superintendent; Dawn DeClerck, Controller of the Regional Office; and Karen Bojda, Kemper CPA Group, LLP. There were no audit findings to discuss.

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
JUNE 30, 2013

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Christian/Montgomery Counties Regional Office of Education #10 was performed by Kemper CPA Group LLP, Certified Public Accountants and Consultants.

Based on their audit, the auditors expressed an unmodified opinion on the Christian/Montgomery Regional Office of Education #10's basic financial statements.

## INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland  
Auditor General  
State of Illinois

### **Report on Financial Statements**

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 Christian/Montgomery Counties Regional Office of Education #10, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Christian/Montgomery Counties Regional Office of Education #10's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **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 Christian/Montgomery Counties Regional Office of Education #10, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 13a through 13f and page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Christian/Montgomery Counties Regional Office of Education #10's financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2014 on our consideration of the Christian/Montgomery Counties Regional Office of Education #10'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Christian/Montgomery Counties Regional Office of Education #10's internal control over financial reporting and compliance.

*Kemper CPA Group LLP*

Certified Public Accountants and Consultants

Mattoon, Illinois

March 6, 2014



INDEPENDENT AUDITORS' 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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Christian/Montgomery Counties Regional Office of Education #10, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Regional Office of Education #10's basic financial statements and have issued our report thereon dated March 6, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Christian/Montgomery Counties Regional Office of Education #10's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Christian/Montgomery Counties Regional Office of Education #10's internal control. Accordingly, we do not express an opinion on the effectiveness of Christian/Montgomery Counties Regional Office of Education #10's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Christian/Montgomery Counties Regional Office of Education #10'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Christian/Montgomery Counties Regional Office of Education #10's internal control or on compliance. This report is an integral part of an audit performed in accordance with the *Government Auditing Standards* in considering the Christian/Montgomery Counties Regional Office of Education #10's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kemper CPA Group LLP*

Certified Public Accountants and Consultants

Mattoon, Illinois

March 6, 2014

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I – SUMMARY OF AUDITORS’ RESULTS

**Financial Statements**

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no audit findings for the year ended June 30, 2013.

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
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There are no audit findings for the year ended June 30, 2012.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2013

The Christian/Montgomery Counties Regional Office of Education #10 provides this Management's Discussion and Analysis of its financial statements for the fiscal year that ended June 30, 2013. Readers are encouraged to consider the discussion information in conjunction with the financial statements.

**2012-2013 (FY13) Financial Highlights:**

- Within the Governmental Funds, the General Fund revenues increased by \$103,507 from \$541,311 in FY12 to \$644,818 in FY13. General Fund expenditures increased by \$92,454 from \$553,636 in FY12 to \$646,090 in FY13. This was a result of an increase in General State Aid and Safe School assessments from school districts that were then expended due to a change in the structure of the Safe School Program and subcontracting this program out to a private non-for profit agency. There was also an increase in the number of workshops and in-services offered to the school districts which accounted for the increase in conference funds expended.
- Within the Governmental Funds, the Special Revenue Fund revenues increased by \$51,433 from \$692,498 in FY12 to \$743,931 in FY13. The Special Revenue Fund expenditures increased by \$97,571 from \$658,961 in FY12 to \$756,532 in FY13. This was a result of changes made in the Safe School Program with an increase in number of students in the program which generated more School Lunch and Breakfast program revenue based on number of meals served. The SAPP program also received a significant increase in funding in FY13 which allowed for more activities therefore more expenditures. The increase in expenditures was also a result of extending the Early Childhood grant through August 31 which in previous years had ended on June 30. Expenditures in the Institute fund also increased as a result of increased professional development being offered in the Region.
- Within the Proprietary Funds, revenues increased by \$13,233 from \$4,815 in FY12 to \$18,048 in FY13. Expenditures increased by \$18,363 from \$16,947 in FY12 to \$35,310 in FY13. This was the result of in FY12, during the transition of a new Regional Supt., an assessment was not made to the participating school districts and very few workshops and conferences were offered. School districts were charged a fee for workshops held during FY12 which accounted for the revenue that year. During FY13 the districts paid an assessment for professional development and an increased number of workshops and conferences were offered therefore with an increase in expenditures.

**Using This Report**

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

- Management's Discussion and Analysis introduces the Regional Office's basic financial statements and provides an overview of Regional Office's financial activities.
- The Basic Financial Statements include the Statement of Net Position, Statement of Activities, Fund Financial Statements, and Reconciliations. These provide information about the status and activities of the Regional Office and present an overall view of the office's finances.
- Supplemental Information reports the Regional Office's operations in greater detail.

**Reporting the Office as a Whole**

The Government-wide Financial Statements report information about the Regional Office as a whole. The Statement of Net Position includes all assets and liabilities. All current year revenues and expenses are included in the Statement of Activities.

The Government-wide Financial Statements also reflect how the Regional Office's net position has changed. Net position represents the difference between assets and liabilities. Net position can provide a measurement of the financial health of the Regional Office.

CHRISTIAN/MONTGOMERY COUNTIES  
 REGIONAL OFFICE OF EDUCATION #10  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 For the year ended June 30, 2013

Over a period of time, changes in net position can indicate whether the office's financial position is improving or deteriorating. To assess the Regional Office's overall health, additional non-financial factors (e.g., new laws, rules and regulations, actions by officials at the state and federal level, the state of the economy) should be considered.

The Government-wide Financial Statements present office activities as Governmental Activities. Local, State, and federal funds finance most, if not all, these activities.

The focus in the Fund Financial Statements is on the major funds. Funds are accounting devices that allow the tracking of sources and spending. Some funds are required by law. Other funds have been created to allow for the management of money that is utilized for particular purposes.

The Regional Office has three kinds of funds:

1. Governmental Funds account for the Regional Office's services. Governmental Funds focus on how cash and other financial assets can be readily converted to cash flow and on balances available for spending the next fiscal year. Governmental Fund Statements provide a detailed, short-term view to help determine the level of resources that can finance future office operations. The office's Governmental Funds include the General Fund, Education Fund, Institute Fund, and Other Non-major Funds. The required financial statements for Governmental Funds include a balance sheet; a reconciliation of the funds balance sheet to the statement of net position; a statement of revenues, expenditures, and changes in fund balances; and a reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities.
2. Proprietary Funds include the revenues derived from charges for services, as well as interest. Operating expenses against income determine the operating income or loss in these funds. The required financial statements for Proprietary Funds include a statement of net position; a statement of revenues, expenses, and changes in fund net position; and a statement of cash flows.
3. The Fiduciary Funds report assets in cash and liabilities in amounts due to other governmental units.

**ROE #10 Financial Analysis**

Below are the following: the Regional Office's Condensed Statement of Net Position and Condensed Statement of Activities. These show assets and liabilities of the office, a breakdown of revenues by source and expenses by activity, as well as the changes in net position over the past fiscal year. The net position at the end of FY13 totaled approximately \$102,965.

**CONDENSED STATEMENT OF NET POSITION**  
**June 30, 2013 and 2012**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current Assets	\$ 209,766	\$ 285,047	\$ 5,058	\$ 22,220	\$ 214,824	\$ 307,267
Capital Assets, net	10,983	16,334	83	149	11,066	16,483
Total Assets	<u>220,749</u>	<u>301,381</u>	<u>5,141</u>	<u>22,369</u>	<u>225,890</u>	<u>323,750</u>
Current Liabilities	122,925	184,798	-	-	122,925	184,798
Total Liabilities	<u>122,925</u>	<u>184,798</u>	<u>-</u>	<u>-</u>	<u>122,925</u>	<u>184,798</u>
Net Position						
Investment in Capital Assets	10,983	16,334	83	149	11,066	16,483
Restricted for Educational						
Purposes	62,719	75,285	-	-	62,719	75,285
Unrestricted	24,122	24,964	5,058	22,220	29,180	47,184
Total Net Position	<u>\$ 97,824</u>	<u>\$ 116,583</u>	<u>\$ 5,141</u>	<u>\$ 22,369</u>	<u>\$ 102,965</u>	<u>\$ 138,952</u>

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2013

**CHANGES IN NET POSITION**  
**For the Years Ended June 30, 2013 and 2012**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 18,048	\$ 4,815	\$ 18,048	\$ 4,815
Operating grants & contributions	719,804	620,658	-	-	719,804	620,658
General revenues:						
Local sources	162,342	191,628	-	-	162,342	191,628
State sources	143,534	82,419	-	-	143,534	82,419
On-behalf payments	363,069	293,199	-	-	363,069	293,199
Interest	465	1,213	34	48	499	1,261
Total revenues	<u>1,389,214</u>	<u>1,189,117</u>	<u>18,082</u>	<u>4,863</u>	<u>1,407,296</u>	<u>1,193,980</u>
<b>Expenses:</b>						
Program expenses:						
Instructional services:						
Salaries & benefits	555,571	467,942	-	-	555,571	467,942
Purchased services	419,403	389,368	-	-	419,403	389,368
Supplies & materials	28,530	33,394	-	-	28,530	33,394
Other objects	5,064	4,319	-	-	5,064	4,319
Payments to other governments	21,837	14,476	-	-	21,837	14,476
Depreciation	9,365	9,615	-	-	9,365	9,615
Administrative expenses:						
Debt service - interest	5,134	3,527	-	-	5,134	3,527
On-behalf payments	363,069	293,199	-	-	363,069	293,199
Business-type expenses	-	-	35,310	16,947	35,310	16,947
Total expenses	<u>1,407,973</u>	<u>1,215,840</u>	<u>35,310</u>	<u>16,947</u>	<u>1,443,283</u>	<u>1,232,787</u>
Change in net position	(18,759)	(26,723)	(17,228)	(12,084)	(35,987)	(38,807)
Net position, beginning of year	<u>116,583</u>	<u>143,306</u>	<u>22,369</u>	<u>34,453</u>	<u>138,952</u>	<u>177,759</u>
Net position, end of year	<u>\$ 97,824</u>	<u>\$ 116,583</u>	<u>\$ 5,141</u>	<u>\$ 22,369</u>	<u>\$ 102,965</u>	<u>\$ 138,952</u>

**Governmental Activities**

Revenues for governmental activities were \$1,389,214 and expenses were \$1,407,973. The Regional Office experienced a decrease in net position of \$18,759. The decrease was a result of unexpected expenses for Institute Fund seminars and less revenue received for teacher certifications.

**Financial Analysis of the Regional Office's Funds**

As previously noted, the Regional Office uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Regional Office's governmental funds reported combined fund balances of \$86,841 for FY13, a decrease of \$13,408 over FY12 fund balances of \$100,249.

**Governmental Fund Highlights:**

- County support for the Regional Office remained at FY12 levels in FY13.
- The State aid foundation level was reduced to 89% for the Foundation Level of \$5,734 for FY13.

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2013

Proprietary Fund Highlights:

- In FY13, the Regional Office offered 28 administrator and teacher workshops. As of July 1, 2013, the Regional Office anticipates having at least 25 workshops in FY 14.
- There were 820 teachers and 168 administrators for the region in FY 13.

**Budgetary Highlights**

The Regional Office annually adopts budgets for several funds. The Education Fund and the Nonmajor Special Revenue Fund budgets are prepared by the Regional Superintendent and serve as a guideline for activities and expenditures. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the two County Boards for their approval. The Office Operations Budget covers a fiscal year, which runs from December 1 to November 30. All grant budgets are prepared by the Regional Office and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency. Schedules showing the budget amounts compared to the Regional Office's actual financial activity are included in the supplementary information of this report.

**Capital Assets**

Capital assets of the Regional Office include office equipment, computers, audio-visual equipment, and office furniture. The Regional Office maintains an inventory of capital assets which have been accumulated over time. Governmental activities net capital assets for FY13 were \$10,983 and for FY12 were \$16,334. Excess depreciation expense over current year capital asset additions has caused the net book value of capital assets to decrease in FY13. More detailed information about capital assets is available in Note 3 to the financial statements.

**Monitoring and Analysis**

The following information is intended to document the Regional Superintendent's efforts in continuing to monitor and improve the financial status of the Regional Office. Management and financial staff members review on a continuing basis all parts of the Regional Office's financial statements, including the format, accounting, and reporting of fixed assets and funds. The Superintendent consults regularly and holds periodic meetings on financial issues with Bookkeeping Department staff members, as well as with other staff members (Program Directors) who are in charge of specific programs. Meetings include; analysis of the financial status of the Regional Office and looking at current and expected future funding. Analysis and balancing of funds are accomplished monthly. The Superintendent reviews bills prior to payment, including those bills which are recommended for payment by other members of the management staff. The Superintendent also approves or acknowledges all paid invoices. During meetings with Program Directors and the Bookkeeper, the Superintendent discusses plans for addressing current financial issues. Late payments from the State of Illinois, in previous years a problem, became an even more serious problem in FY12. Short-term borrowing was again utilized as a means of addressing this situation. Had funds not been borrowed, many services would have ceased until late in the calendar year or perhaps after the beginning of the next calendar year when state payments for FY12 were first received. Short term borrowing continued in FY13.

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2013

In addition to holding meetings and other informal conversations with the head Bookkeeper and consultants, the Superintendent, Assistant Superintendent, and Program Directors also meet regularly to review the general financial status of the Regional Office. These meetings include analysis of the status of the Regional Office dependent upon projected grant funding. The intent is to project adequate funding for the Regional Office programming before program plans are carried out and to allow for changes if such changes are deemed necessary. In recent years – until FY09 – funding has generally been sufficient to ensure a basic level of office operation. However, in general, reduced funding over the past decade and late payments from the State of Illinois have had an impact on office operations and the ability to carry out mandated responsibilities. This has been especially true the last four fiscal years. Reduced state funding has brought about curtailed services. This reduction in service capability continued through FY09, FY10, FY11, FY12 and FY13. Budgets for FY14 may receive further reduction. The FY13 Operations budget, for example, did not allow payment for full-time bookkeeping services. In some instances, largely because of staff reductions, services have been eliminated altogether. Necessary cost increases (utility costs, rent, and – to a lesser extent – payroll) will make it more difficult to continue service at the present level as the Regional Office moves into the future. Constant concern over whether or not a program will be fully funded or even funded at all also is not conducive to encouraging experienced staff members to stay or to attracting qualified new staff members. Borrowing, even for a short time, often results in the payment of interest to the lender, and this deprives the Regional Office's programs of funding that could better be used in the service of constituents, most notably children.

The fiscal year for Christian and Montgomery Counties (December 1 through November 30) does not run concurrent with the fiscal year for the Regional Office grants, and this also is sometimes problematic. Several years ago, a disagreement between the leadership of the two counties over interpretation of the statutory allocation of county funding for the Regional Office resulted in a major funding cut for the Regional Office, a cut that was serious enough that it threatened the Regional Office's capacity to carry out even basic mandated responsibilities. That funding cut made it impossible for the office even to remain open during regular business hours (8:00 a.m. till 4:00 p.m. Monday through Friday). Although this action did not force closing of the office, it made fulfilling state mandates more difficult. In 2005, early talks among all parties brought about some resolution of the issues and resulted in a better financial situation for the Regional Office. The counties' leaders agreed without incident on the following years' budgets. The FY07 budget restored the office at the Taylorville satellite site to four days per week operation; it had been reduced to two days. The office remains open to the public four days per week at the satellite site and five days per week at the Hillsboro main office site. Staff numbers remain lower than they were a few years ago. Some full-time staff members have been replaced by retirees who work on a part-time basis. It is difficult to find individuals willing to work in uncertain conditions such as the office currently offers. Unemployment insurance costs increased as a result of the end-of-the-fiscal year layoffs in FY11. A result of staff reductions has been a decrease in the number of professional development programs the Regional Office can offer to the region's educators, as fewer staff members have been available to organize and oversee the programming and less funding is available to pay for the costs. The Professional Development Co-op and Institute funds are used to provide support on a region wide basis and individual basis depending on the needs of the school. Professional development includes, but not limited to, the implementation of Danielson, Common Core State Standards and the new state assessment PARCC (Partnership for Assessment of Readiness for College and Careers).

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2013

Reduction in funding also brings about reduction in services in other areas as well. The number of clients served in programs such as the Truants' Alternative Program, the Early Childhood Block Grant, and the Regional Safe Schools Program, among others, is necessarily impacted by the funding stream. The new administration in the Regional Office subcontracted the Regional Safe Schools Program partly as a means of reducing administrative costs and other concerns. The number of clients served could erode further in future years without a major improvement in the state's revenue stream. A state budget that includes a regular, guaranteed revenue stream, with built-in cost-of-living adjustments, would assist the Regional Office in avoiding mid-year and end-of-year cutbacks, as well as reductions in services. It would also be helpful if legislators and the executive branch would conclude their budget negotiations in a timely fashion, by May 31. This would enhance planning as funding letters for individual grants could be mailed and received earlier.

On Behalf of Governor Pat Quinn, the Streamlining Illinois' Regional Offices of Education Commission was formed in the spring of 2012. The Commission reached consensus and recommended reducing the total number of Regional Offices of Education from 44 active (45 is language in the statute) to 35 Regional Offices and 3 ISC's by increasing the population minimum from 43,000 to 61,000. The School Code was amended by changing section 3A-4, mandatory consolidation of educational serviced regions. After July 1, 2015 thirty-five regions must be achieved and contain at least 61,000 inhabitants.

**Contacting the Regional Office's Financial Management**

This financial report is designed to provide the Regional Office's citizens, taxpayers, clients, and other constituents with a general overview of its finances and to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the Christian/Montgomery Counties Regional Office of Education #10 at 203 South Main Street, Hillsboro, IL 62049.

## BASIC FINANCIAL STATEMENTS

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 172,444	\$ 5,058	\$ 177,502
Due from other governments			
State	37,322	-	37,322
Total current assets	<u>209,766</u>	<u>5,058</u>	<u>214,824</u>
<b>NONCURRENT ASSETS</b>			
Capital assets, net of depreciation	10,983	83	11,066
<b>TOTAL ASSETS</b>	<u>220,749</u>	<u>5,141</u>	<u>225,890</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	5,500	-	5,500
Note payable	74,888	-	74,888
Unearned revenue	42,537	-	42,537
Total current liabilities	<u>122,925</u>	<u>-</u>	<u>122,925</u>
<b>TOTAL LIABILITIES</b>	<u>122,925</u>	<u>-</u>	<u>122,925</u>
<b>NET POSITION</b>			
Investment in capital assets	10,983	83	11,066
Restricted for educational purposes	62,719	-	62,719
Unrestricted	24,122	5,058	29,180
<b>TOTAL NET POSITION</b>	<u>\$ 97,824</u>	<u>\$ 5,141</u>	<u>\$ 102,965</u>

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

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
<b>PRIMARY GOVERNMENT</b>						
Governmental activities:						
Instructional services:						
Salaries and benefits	\$ 555,571	\$ -	\$ 524,982	\$ (30,589)	\$ -	\$ (30,589)
Purchased services	419,403	-	139,691	(279,712)	-	(279,712)
Supplies and materials	28,530	-	24,241	(4,289)	-	(4,289)
Other objects	5,064	-	5,039	(25)	-	(25)
Depreciation	9,365	-	-	(9,365)	-	(9,365)
Capital outlay	-	-	4,014	4,014	-	4,014
Payments to other governments	21,837	-	21,837	-	-	-
Administrative:						
Debt service - interest expense	5,134	-	-	(5,134)	-	(5,134)
On-behalf payments - State	302,479	-	-	(302,479)	-	(302,479)
On-behalf payments - County	60,590	-	-	(60,590)	-	(60,590)
<b>Total governmental activities</b>	<b>1,407,973</b>	<b>-</b>	<b>719,804</b>	<b>(688,169)</b>	<b>-</b>	<b>(688,169)</b>
Business-type activities:						
Registration fees	35,310	18,048	-	-	(17,262)	(17,262)
<b>Total business-type activities</b>	<b>35,310</b>	<b>18,048</b>	<b>-</b>	<b>-</b>	<b>(17,262)</b>	<b>(17,262)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 1,443,283</b>	<b>\$ 18,048</b>	<b>\$ 719,804</b>	<b>(688,169)</b>	<b>(17,262)</b>	<b>(705,431)</b>
GENERAL REVENUES:						
Local sources				162,342	-	162,342
State sources				143,534	-	143,534
On-behalf payments - State				302,479	-	302,479
On-behalf payments - County				60,590	-	60,590
Interest income				465	34	499
<b>Total general revenues</b>				<b>669,410</b>	<b>34</b>	<b>669,444</b>
CHANGE IN NET POSITION				(18,759)	(17,228)	(35,987)
NET POSITION - BEGINNING				116,583	22,369	138,952
NET POSITION - ENDING				<b>\$ 97,824</b>	<b>\$ 5,141</b>	<b>\$ 102,965</b>

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

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Eliminations	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 23,810	\$ 85,915	\$ 42,084	\$ 20,635	\$ -	\$ 172,444
Due from other funds	494	-	-	-	(494)	-
Due from other governments:						
State	5,500	31,822	-	-	-	37,322
<b>TOTAL ASSETS</b>	<b>\$ 29,804</b>	<b>\$ 117,737</b>	<b>\$ 42,084</b>	<b>\$ 20,635</b>	<b>\$ (494)</b>	<b>\$ 209,766</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 5,500	\$ -	\$ -	\$ -	\$ -	\$ 5,500
Note payable	-	74,888	-	-	-	74,888
Due to other funds	494	-	-	-	(494)	-
Unearned revenue	-	42,537	-	-	-	42,537
<b>Total Liabilities</b>	<b>5,994</b>	<b>117,425</b>	<b>-</b>	<b>-</b>	<b>(494)</b>	<b>122,925</b>
<b>FUND BALANCE (DEFICIT)</b>						
Restricted	-	-	42,084	20,635	-	62,719
Assigned	23,810	312	-	-	-	24,122
Unassigned	-	-	-	-	-	-
<b>Total Fund Balance (Deficit)</b>	<b>23,810</b>	<b>312</b>	<b>42,084</b>	<b>20,635</b>	<b>-</b>	<b>86,841</b>
<b>TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)</b>	<b>\$ 29,804</b>	<b>\$ 117,737</b>	<b>\$ 42,084</b>	<b>\$ 20,635</b>	<b>\$ (494)</b>	<b>\$ 209,766</b>

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

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

TOTAL FUND BALANCES—GOVERNMENTAL FUNDS \$ 86,841

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

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

10,983

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 97,824

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

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
<b>REVENUES</b>					
Local sources	\$ 122,802	\$ 20,866	\$ 8,637	\$ 10,037	\$ 162,342
On-behalf payments - County	60,590	-	-	-	60,590
State sources	158,947	593,557	-	680	753,184
On-behalf payments - State	302,479	-	-	-	302,479
Federal sources	-	110,154	-	-	110,154
Total Revenues	<u>644,818</u>	<u>724,577</u>	<u>8,637</u>	<u>10,717</u>	<u>1,388,749</u>
<b>EXPENDITURES</b>					
Instructional Services					
Salaries and benefits	13,692	524,982	16,284	613	555,571
Purchased services	268,821	139,691	8,389	2,502	419,403
Supplies and materials	-	24,241	507	3,782	28,530
Payments to other governments	-	21,837	-	-	21,837
Other objects	25	5,039	-	-	5,064
On-behalf payments	363,069	-	-	-	363,069
Capital outlay	-	4,014	-	-	4,014
Debt service					
Interest expense	483	4,651	-	-	5,134
Total Expenditures	<u>646,090</u>	<u>724,455</u>	<u>25,180</u>	<u>6,897</u>	<u>1,402,622</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,272)</u>	<u>122</u>	<u>(16,543)</u>	<u>3,820</u>	<u>(13,873)</u>
<b>OTHER FINANCING SOURCES</b>					
Interest income	118	190	117	40	465
Total Other Financing Sources	<u>118</u>	<u>190</u>	<u>117</u>	<u>40</u>	<u>465</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	(1,154)	312	(16,426)	3,860	(13,408)
FUND BALANCE (DEFICIT) - BEGINNING	<u>24,964</u>	<u>-</u>	<u>58,510</u>	<u>16,775</u>	<u>100,249</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ 23,810</u>	<u>\$ 312</u>	<u>\$ 42,084</u>	<u>\$ 20,635</u>	<u>\$ 86,841</u>

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

CHRISTIAN/MONTGOMERY COUNTIES  
 REGIONAL OFFICE OF EDUCATION #10  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

NET CHANGE IN FUND BALANCES — GOVERNMENTAL FUNDS \$ (13,408)

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

Governmental funds report capital outlays as expenditures. However, in the government-wide financial statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 4,014	
Depreciation expense	<u>(9,365)</u>	<u>(5,351)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (18,759)

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

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013

	Business-Type Activities – Enterprise Funds	
	Nonmajor Enterprise Funds	Total
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,058	\$ 5,058
Total current assets	5,058	5,058
Noncurrent assets:		
Capital assets, net of depreciation	83	83
Total noncurrent assets	83	83
TOTAL ASSETS	5,141	5,141
<b>NET POSITION</b>		
Investment in capital assets	83	83
Unrestricted	5,058	5,058
TOTAL NET POSITION	\$ 5,141	\$ 5,141

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

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities – Enterprise Funds	
	Nonmajor Enterprise Funds	Total
OPERATING REVENUES		
Local sources	\$ 18,048	\$ 18,048
Total operating revenues	18,048	18,048
OPERATING EXPENSES		
Salaries and benefits	17,722	17,722
Purchased services	14,494	14,494
Supplies and materials	3,028	3,028
Depreciation	66	66
Total operating expenses	35,310	35,310
Operating loss	(17,262)	(17,262)
NONOPERATING REVENUES		
Interest income	34	34
CHANGE IN NET POSITION	(17,228)	(17,228)
TOTAL NET POSITION - BEGINNING	22,369	22,369
TOTAL NET POSITION - ENDING	\$ 5,141	\$ 5,141

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

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities – Enterprise Funds	
	Nonmajor Enterprise Funds	Total
Cash flows from operating activities:		
Receipts from customers	\$ 18,048	\$ 18,048
Payments to suppliers and providers of goods and services	(17,522)	(17,522)
Payments to employees	(17,722)	(17,722)
Net cash used for operating activities	(17,196)	(17,196)
Cash flows from investing activities:		
Interest income	34	34
Net cash provided by investing activities	34	34
Cash flows from noncapital financing activities:		
Receipts from interfund borrowing, net	2,995	2,995
Net cash provided by noncapital financing activities	2,995	2,995
Net decrease in cash and cash equivalents	(14,167)	(14,167)
Cash and cash equivalents - Beginning	19,225	19,225
Cash and cash equivalents - Ending	\$ 5,058	\$ 5,058
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (17,262)	\$ (17,262)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	66	66
Net cash used for operating activities	\$ (17,196)	\$ (17,196)

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

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2013

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ -</u>
Total Assets	<u><u>\$ -</u></u>
<b>LIABILITIES</b>	
Due to other governments	<u>\$ -</u>
Total Liabilities	<u><u>\$ -</u></u>

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

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Christian/Montgomery Counties Regional Office of Education #10 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

In 2013, the Regional Office of Education #10 implemented Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*; and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Regional Office of Education #10 implemented these standards during the current year; however, GASB Statement No. 60 and GASB Statement No. 61 had no impact on the financial statements. The implementation of GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflow of resources.

A. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through March 6, 2014, the date on which the financial statements were available to be issued.

B. 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; serving as the official advisor and assistant of school officers and teachers; conducting teachers' institutes as well as aiding and encouraging the formation of other teachers' meetings and assisting in their management; evaluating the schools in the region; examining evidence of indebtedness; filing and keeping the returns of elections required to be returned to the Regional Superintendent's office; and filing and keeping 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 #10's districts; providing township treasurers with a list of district treasurers; inspecting and approving building plans which comply with State law; performing and reporting on annual building inspections; investigating bus drivers for valid bus driver permits and taking related action as may be required; maintaining a list of unfilled teaching positions; and carrying out other related duties required or permitted by law.

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FINANCIAL REPORTING ENTITY (Concluded)

The Regional Superintendent is responsible for inspection and approval or rejection of school treasurers' bonds. The Regional Superintendent is also required to provide the State Board of Education with an affidavit showing that the treasurers of school districts within the region are properly bonded.

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

For the period ended June 30, 2013, the Regional Office of Education #10 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 Region #10. Such activities are reported as a single special revenue fund (Education Fund).

C. SCOPE OF THE REPORTING ENTITY

The Regional Office of Education #10's reporting entity includes all related organizations for which it exercises oversight responsibility.

The Regional Office of Education #10 has developed criteria to determine whether outside agencies with activities that benefit the citizens of the region, 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 #10 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 criteria of exercising oversight, scope of public service, and special financing relationships, and they are therefore excluded from the accompanying financial statements because the Regional Office of Education #10 does not control the assets, operations, or management of the districts or joint agreements. In addition, the Regional Office of Education #10 is not aware of any entity that would exercise such oversight as to result in the Regional Office of Education #10 being considered a component unit of the entity.

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Regional Office of Education #10'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 #10 has two business-type activities that rely on fees and charges for support.

The Regional Office of Education #10's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present a summary of governmental and business-type activities for the Regional Office of Education #10 accompanied by a total column. These statements are presented using an economic resources measurement focus as prescribed by GASB Statement No. 34. All of the Regional Office of Education #10's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. 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.

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 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 other funds on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other financing sources/uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position. 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. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities. In the Statement of Activities, transactions between governmental and business-type activities have not been eliminated.

The purpose of interfund borrowing and permanent transfers is to cover temporary or permanent shortfalls in cash flow within grant programs and funds or to move unrestricted funding.

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. PROPRIETARY FUND FINANCIAL STATEMENTS

Proprietary fund financial statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Fund Net Position; and a Statement of Cash Flows for each major proprietary fund and nonmajor funds aggregated.

Proprietary funds are 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 Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. 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 nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

F. 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 nonmajor 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 position and changes in net position presented in the government-wide financial statements.

The governmental fund financial statements have been prepared in accordance with generally accepted accounting principles using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., when 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. Revenues received more than 60 days after the end of the current period are deferred in the governmental fund financial statements but are recognized as current revenues 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.

CHRISTIAN/MONTGOMERY COUNTIES  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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. The 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 #10; 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, Christian/Montgomery Counties Regional Office of Education #10 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funding resources available to finance the program. It is the Regional Office of Education #10's policy to first apply restricted funds to such programs, and then unrestricted funds. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned funds if any.

H. FUND ACCOUNTING

The Regional Office of Education #10 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 #10 uses governmental, proprietary, and fiduciary funds.

CHRISTIAN/MONTGOMERY COUNTIES  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are reported. Governmental fund 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 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 #10 has presented all major funds that met the above qualifications.

The Regional Office of Education #10 reports the following major governmental funds:

**General Fund** – The General Fund is used to account for resources traditionally associated with government which are not required, legally or by sound financial management, to be accounted and reported for in another fund. The General Fund is always considered a major fund. The following accounts are included in the General Fund:

Conferences – This fund accounts for miscellaneous revenues and expenditures not related to any other programs.

Fingerprinting – This fund accounts for local monies received from school districts to share the cost of criminal background checks for substitute teachers.

General State Aid – Regional Safe School – This fund accounts for General State Aid received from the Illinois State Board of Education based on the average daily attendance at the Regional Safe School and is used to increase safety and promote the learning environment in schools and to meet the particular educational needs of disruptive students more appropriately and individually in the alternative educational environments.

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

Major Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. Major special revenue funds include the following:

Institute Fund – The Institute Fund accounts for teacher registration fees. These funds are to be used to defray expenses connected with improving the technology necessary for the efficient processing of certificates as well as any expenses incidental to teacher institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers. All funds generated remain restricted until expended only on the aforementioned activities.

Education Fund – 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:

Early Childhood Block Grant – This program is intended to implement and administer prevention initiative projects to reduce school failure by coordinating and expanding health, social, and/or child development services to at-risk children under the age of three and their families.

Leaders in Technology Enhanced Schools (LITES) – This program is funded by federal grants awarded by the U.S. Department of Education and the Area V Technology Hub to provide computers, technical support, and staff development to the region.

National School Breakfast – This program provides breakfasts that meet federal requirements to all children in attendance at the Regional Safe Schools Program.

National School Lunch – This program is funded by federal grants to provide reimbursement of meals through the school lunch program and free or reduced-price meals for students enrolled in the Regional Safe Schools Program.

No Child Left Behind – This program provides activities to increase student achievement through the implementation of inquiry-based learning and technology enhancement.

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Concluded)

Education Fund (Concluded)

Regional Safe Schools – This program provides activities for disruptive students who are eligible for suspension or expulsion.

ROE/ISC Operations – This fund accounts for monies for general and administrative expenditures.

Rural School Achievement Program – This program is intended to enhance education through technology and to improve the academic achievement of disadvantaged children.

State Free Lunch and Breakfast – This program is funded by State monies to provide free breakfast and lunch to eligible needy students enrolled in the Regional Safe Schools Program.

Substance Abuse Prevention Program – This program provides community substance abuse prevention services and substance abuse prevention education services to students in Christian County.

Title II – Teacher Quality – This program accounts for the proceeds of a grant from the Illinois State Board of Education to improve teacher effectiveness in the classroom.

Truants Alternative and Optional Education (TAOEP) – This program provides truancy prevention programs and services for monitoring truants.

Nonmajor Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. Nonmajor special revenue funds include the following:

Bus Driver Training – Experienced bus drivers must take a two-hour refresher course annually, while all new drivers must take an eight-hour course in bus driver safety and first aid prescribed by the Illinois State Board of Education and administered by the Regional Office.

General Education Development (GED) – Illinois law requires the Regional Superintendent of Schools to administer the GED test. Testing fees provide testing materials and staff salaries.

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Concluded)

PROPRIETARY FUNDS

Proprietary funds account for revenues and expenses related to services provided to organizations within the region on a cost-reimbursement basis. Enterprise funds are proprietary funds that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to external entities or the general public on a continuing basis should be financed or recovered primarily through user charges. The Regional Office of Education #10 reports the following enterprise funds:

Co-op – This fund tracks revenues received and expenses incurred in offering professional development workshops for teachers and administrators in Christian and Montgomery Counties who are members of the regional cooperative.

Workshops – This fund tracks revenues received and expenses incurred in offering workshops for nonmembers of the regional cooperative.

FIDUCIARY FUNDS

Agency Fund – Agency funds are used to account for assets held by the Regional Office of Education #10 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. The Regional Office of Education #10 reports the following agency fund:

Regional Delivery System – This fund accounts for the assets the Regional Office of Education #10 holds as an agent for the benefit of the Regional Vocational System.

I. 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:

Nonspendable Fund Balance - The portion of a Governmental Fund's net position that is not available to be spent, either short term or long term, due to either their form or legal restrictions. The Regional Office of Education #10 has no nonspendable fund balances.

CHRISTIAN/MONTGOMERY COUNTIES  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. GOVERNMENTAL FUND BALANCES (Concluded)

Restricted Fund Balance - The portion of a Governmental Fund's net position that is subject to external enforceable legal restrictions. The following funds are restricted by Illinois Statute: Institute, Bus Driver Training, and General Education Development Funds.

Committed Fund Balance - The portion of a Governmental Fund's net position with self-imposed constraints or limitations that have been placed at the highest level of decision making. The Regional Office of Education #10 has no committed fund balances.

Assigned Fund Balance - The portion of a Governmental Fund's net position for which an intended use of resources has been denoted. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The following General Fund accounts have assigned fund balances: Fingerprinting and General State Aid - Regional Safe School. The following Education Fund account has an assigned fund balance: Truants Alternative Optional Education.

Unassigned Fund Balance - Available expendable financial resources in a governmental fund that are not designated for a specific purpose. The following General Fund account has an unassigned fund balance: Conferences.

J. NET POSITION

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

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

Restricted net position – Consists of net position with constraints placed on its 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 legislation.

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

K. CASH AND CASH EQUIVALENTS

The Regional Office of Education #10 considers cash on hand, checking accounts, savings accounts, and investments with an original maturity date of less than three months to be cash and cash equivalents. As of June 30, 2013, cash and cash equivalents consisted of cash on deposit.

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. INVENTORY

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

M. 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.

N. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$500 or more and estimated useful lives of greater than one year are reported at historical cost or estimated historical cost in the government-wide financial statements. Contributed assets are reported 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 years
Software and licenses	2 years

In the governmental fund financial statements, capital assets are reported as capital outlay expenditures when acquired.

O. COMPENSATED ABSENCES

Full-time employees can earn from 10 to 25 vacation days for a full year of service. Part-time employees earn vacation time on a prorated basis. Vacation days may accumulate to a maximum of 20 days per year. Teaching and administrative staff at the Regional Safe School Program are entitled to personal and professional days as stipulated in their contracts but no vacation days. Accumulated vacation days are not paid upon termination, and therefore no liability has been accrued.

Employees receive up to 12 sick days annually. Employee sick leave is recorded when paid. Upon termination, employees do not receive any accumulated sick leave pay, and therefore no liability is accrued.

CHRISTIAN/MONTGOMERY COUNTIES  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

P. BUDGET INFORMATION

The Regional Office of Education #10 acts as the administrative agent for certain grant programs that are accounted for in the General and Education Funds. Certain programs have separate budgets and are required to report to the Illinois State Board of Education; however, none of the annual budgets have been legally adopted, nor are they required to be. Certain programs within the General Fund and Special Revenue Funds do not have separate budgets. Comparisons of budgeted and actual results are presented as supplementary information. Budgetary comparison schedules have been provided in supplementary schedules for the following funds: Early Childhood Block Grant, Regional Safe Schools, ROE/ISC Operations, Substance Abuse Prevention Program, Title II - Teacher Quality, and Truants Alternative Optional Education.

NOTE 2 – DEPOSITS AND INVESTMENTS

The Regional Office of Education #10 is permitted to invest in securities as authorized by 30 ILCS-235/2 and 6 and 105 ILCS-5/8-7. It is the policy of the Regional Office to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Regional Office and conforming to all State statutes governing the investment of public funds. This policy includes all funds under the care and control of the Regional Superintendent of Schools.

A. DEPOSITS

At June 30, 2013, the carrying amount of the Regional Office of Education #10's government-wide deposits were \$177,502 and the bank balances were \$282,611. Of the total bank balances as of June 30, 2013, \$250,000 was insured by Federal Depository Insurance Corporation and \$32,611 was collateralized and/or backed by the full faith and credit of the U.S. Treasury.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits with financial institutions is the risk that, in the event of bank failure, the Regional Office's deposits may not be returned to it. To guard against custodial credit risk for deposits with financial institutions, the Regional Office of Education #10's investment policy requires that deposits with financial institutions in excess of FDIC limits be secured by some form of collateral, by a written agreement, and held at an independent, third-party institution in the name of the Regional Office.

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 2 – DEPOSITS AND INVESTMENTS (Concluded)

B. INVESTMENTS

The Regional Office of Education #10 has a formal investment policy that permits it to invest only in certain instruments, including, among others, securities guaranteed by the full faith and credit of the United States of America as to principal and interest; bonds, notes, and similar obligations of the United States of America; interest-bearing deposits or other direct obligations of any bank as defined by the Illinois Banking Act, 205 ILCS 5/1 et seq.; short-term obligations of U.S. corporations with assets exceeding \$500,000,000 if they are rated at the time of purchase at of the three highest classifications by at least two standard rating services, if they do not exceed 10% of the corporation's outstanding obligations, and if no more than one-third of the Regional Office's funds are invested in commercial paper; and certain money market mutual funds registered under the Federal Investment Company Act of 1940, 14 U.S.C. ¶ 80a-1 et seq. As of June 30, 2013, the Regional Office of Education #10 had deposits totaling \$1,244 in the Illinois Funds Money Market Fund, which is reported as cash and cash equivalents in the financial statements.

CREDIT RISK

At June 30, 2013, 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.

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.

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.

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 3 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the Regional Office of Education #10 has reported capital assets in the government-wide Statement of Net Position. Purchases are reported as capital outlay in the governmental fund statements. Purchases of business-type activities are capitalized when purchased. The following table provides a summary of changes in total assets, accumulated depreciation, and investment in capital assets for the year ended June 30, 2013:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>Governmental Activities</b>				
Capital assets being depreciated:				
Furniture and fixtures	\$ 2,343	\$ -	\$ -	\$ 2,343
Equipment	72,468	4,014	11,245	65,237
Total capital assets being depreciated	<u>74,811</u>	<u>4,014</u>	<u>11,245</u>	<u>67,580</u>
Less accumulated depreciation:				
Furniture and fixtures	(1,994)	(165)	-	(2,159)
Equipment	(56,483)	(9,200)	(11,245)	(54,438)
Total accumulated depreciation	<u>(58,477)</u>	<u>(9,365)</u>	<u>(11,245)</u>	<u>(56,597)</u>
<b>Governmental Activities -</b>				
Investment in Capital Assets	<u>\$ 16,334</u>	<u>\$ (5,351)</u>	<u>\$ -</u>	<u>\$ 10,983</u>
<b>Business-Type Activities</b>				
Capital assets being depreciated:				
Furniture and fixtures	\$ 663	\$ -	\$ -	\$ 663
Less accumulated depreciation:				
Furniture and fixtures	(514)	(66)	-	(580)
<b>Business-Type Activities -</b>				
Investment in Capital Assets	<u>\$ 149</u>	<u>\$ (66)</u>	<u>\$ -</u>	<u>\$ 83</u>

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense of \$9,365 and \$66 was charged to the governmental activities and to the business-type activities, respectively, on the government-wide Statement of Activities for the year ended June 30, 2013. Investment in capital assets is the component of net position that reports capital assets net of accumulated depreciation.

CHRISTIAN/MONTGOMERY COUNTIES  
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 JUNE 30, 2013

NOTE 4 – SHORT-TERM DEBT

The Regional Office of Education #10 obtained short-term loans from a local bank to cover cash shortages created when program expenditures occurred before grant payments were received from the State. The Regional Office received a loan on June 28, 2012, for \$167,454. The note was secured by grant funds from the Education Fund. The note issued on June 28, 2012 had an interest rate of 3.5%. The June 28, 2012 note had a maturity date of December 31, 2012 and was paid in full by the maturity date. Interest expense totaling \$5,129 was reported for this note in the year ending June 30, 2013. The Regional Office also received a loan on June 28, 2013, for \$74,888. The note is secured by grant funds from the Education Fund. The note issued on June 28, 2013 has an interest rate of 3.5% and a maturity date of December 31, 2013.

The short-term debt activity for the year ended June 30, 2013, was as follows:

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013
Note payable	\$167,454	\$74,888	\$167,454	\$74,888

NOTE 5 – DEFINED-BENEFIT PENSION PLAN

**Plan Description.** The Regional Office of Education #10’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 #10’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](http://www.imrf.org).

**Funding Policy.** As set by statute, the Regional Office of Education #10’s Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2012 used by the employer was 12.10 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2012 was 18.13 percent. The Regional Office of Education #10 also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

**Annual Pension Cost.** For calendar year ending December 31, 2012, the employer’s actual contributions for pension cost for the Regular were \$45,804. Its required contribution for calendar year 2012 was \$68,630.

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 5 – DEFINED-BENEFIT PENSION PLAN (Concluded)

**Three-Year Trend Information for the Regular Plan**

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/12	\$68,630	67%	\$0
12/31/11	45,320	78%	0
12/31/10	30,110	100%	0

The required contribution for 2012 was determined as part of the December 31, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, included (a) 7.5 percent 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 the Regional Office of Education #10'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 #10's Regular plan's unfunded actuarial accrued liability at December 31, 2010 is being amortized as a level percentage of projected payroll on an open 10 year basis.

**Funded Status and Funding Progress.** As of December 31, 2012, the most recent actuarial valuation date, the Regular plan was 67.45 percent funded. The actuarial accrued liability for benefits was \$803,603 and the actuarial value of assets was \$542,066, resulting in an underfunded actuarial accrued liability (UAAL) of \$261,537. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$378,542 and the ratio of the UAAL to the covered payroll was 69 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 6 – LOCAL GOVERNMENT HEALTH PLAN

The Regional Office of Education #10 participates in the Local Government Health Plan (LGHP), a cost-sharing, multiple-employer defined-benefit health care plan. The LGHP is a self-insured employee health, prescription drug, dental, and vision benefit program funded solely by participating local government units. Premiums are deposited into the Local Government Health Insurance Reserve Fund (LGHIRF), from which all claims are paid. The LGHP is administered by the Illinois Department of Central Management Services, who is authorized to set and adjust premium rates, and the Illinois Department of Healthcare and Family Services (HFS), who processes and pays claims. HFS contracts with third-party administrators to process health, dental, and prescription claims submitted by health care service providers relating to the LGHIRF.

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 6 – LOCAL GOVERNMENT HEALTH PLAN (Concluded)

The Regional Office of Education #10 allows employees who retire through the Regional Office of Education #10's IMRF defined-benefit pension plan, disclosed in Note 5, the option to continue in the Regional Office of Education #10's LGHP health insurance plan as required by the Illinois Compiled Statutes, but the retiree pays the full premium for the health insurance. Participating employees and retirees paid \$250 per month in premiums in the year ended June 30, 2013. This has not created an implicit subsidy as defined by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as the Regional Office of Education #10's health insurance plan is considered a community-rated plan. In addition, the Regional Office has no explicit subsidy as defined in GASB Statement No. 45.

**Further information on LGHIRF.** The publicly available financial report of the Local Government Health Insurance Reserve Fund may be obtained by writing to the Department of Healthcare and Family Services, 201 S. Grand Ave., Springfield, IL 62763-3838. It is also available online at [www.auditor.illinois.gov/Audit-Reports/](http://www.auditor.illinois.gov/Audit-Reports/).

NOTE 7 – RISK MANAGEMENT

The Regional Office of Education #10 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. The Regional Office of Education #10 has purchased commercial insurance to cover these risks. No losses have been incurred in excess of the amounts covered by insurance over the past three years.

NOTE 8 – DUE TO/FROM OTHER GOVERNMENTS

The Regional Office of Education #10's General Fund and Education Fund have funds due from/to various other governmental units which consist of the following:

Due from Other Governments:

General Fund

Illinois State Board of Education	\$ 5,500
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Education Fund

Illinois State Board of Education	22,457
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Illinois Department of Human Services	9,365
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Total Due from Other Governments	<u>\$ 37,322</u>
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CHRISTIAN/MONTGOMERY COUNTIES  
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 JUNE 30, 2013

NOTE 9 – INTERFUND ACTIVITY

DUE TO/FROM OTHER FUNDS

Interfund due to/from other fund balances at June 30, 2013, consist of the following individual due to/from other funds in the governmental fund Balance Sheet. These balances, except for those between governmental funds and business-type funds, were eliminated in the government-wide Statement of Net Position.

Fund	Due from Other Funds	Due to Other Funds
General Fund:		
Conferences	\$ -	\$ 494
Fingerprinting	494	-
	<u>\$ 494</u>	<u>\$ 494</u>

NOTE 10 – ON-BEHALF PAYMENTS

The State of Illinois paid the following salaries on behalf of the Regional Office of Education #10:

Regional Superintendent Salary	\$ 103,032
Assistant Regional Superintendent Salary	88,872
Regional Superintendent Benefits (includes State-paid insurance)	24,066
Assistant Regional Superintendent Benefits (includes State-paid insurance)	32,680
TRS Pension Contributions	<u>53,829</u>
Total	<u>\$ 302,479</u>

Salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent were calculated based on data provided by the Illinois State Board of Education.

These amounts have been recorded in the accompanying financial statements as State revenues and expenditures.

Christian and Montgomery Counties provide the Regional Office with staff and pay certain expenditures on behalf of the Regional Office. The expenditures paid on the Regional Office of Education #10's behalf for the year ended June 30, 2013, were as follows:

CHRISTIAN/MONTGOMERY COUNTIES  
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NOTE 10 – ON-BEHALF PAYMENTS (Concluded)

Salaries and benefits	\$ 46,652
Purchased services	12,718
Supplies and materials	<u>1,220</u>
Total	<u>\$ 60,590</u>

These amounts have been recorded in the accompanying financial statements as local revenues and expenditures.

NOTE 11 – OPERATING LEASES

The Regional Office leases two copiers over a 36-month term ending May 2015. Total equipment lease expense for the year ended June 30, 2013, was \$5,309. Future minimum rentals are as follows for the years ending June 30:

2014	\$ 2,904
2015	<u>2,505</u>
Total	<u>\$ 5,409</u>

NOTE 12 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Generally accepted accounting principles require disclosure of certain information concerning individual funds that are presented only in combination on the financial statements. Funds having deficit fund balances/net position and funds which overexpend appropriations during the year are required to be disclosed.

The following funds/fund accounts had deficit fund balances/net position at June 30, 2013:

<u>Fund</u>	<u>Amount</u>
General Fund	
Conferences	\$(494)

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

CHRISTIAN/MONTGOMERY COUNTIES  
 REGIONAL OFFICE OF EDUCATION #10  
 REQUIRED SUPPLEMENTARY INFORMATION  
 ILLINOIS MUNICIPAL RETIREMENT FUND  
 SCHEDULE OF FUNDING PROGRESS  
 (UNAUDITED)  
 JUNE 30, 2013

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 )
12/31/12	\$ 542,066	\$ 803,603	\$ 261,537	67.45%	\$ 378,542	69.09%
12/31/11	470,142	677,440	207,298	69.40%	321,418	64.49%
12/31/10	367,196	608,002	240,806	60.39%	301,101	79.98%

On a market value basis, the actuarial value of assets as of December 31, 2012, is \$573,949.

On a market basis, the funded ratio would be 71.42%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with Christian Montgomery ROE #10. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

## OTHER SUPPLEMENTARY INFORMATION

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
COMBINING SCHEDULE OF ACCOUNTS  
GENERAL FUND  
JUNE 30, 2013

	<u>Conferences</u>	<u>Fingerprinting</u>	<u>General State Aid - Regional Safe School</u>	<u>TOTALS</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 11,657	\$ 12,153	\$ 23,810
Due from other funds	-	494	-	494
Due from other governments State	5,500	-	-	5,500
<b>TOTAL ASSETS</b>	<u>\$ 5,500</u>	<u>\$ 12,151</u>	<u>\$ 12,153</u>	<u>\$ 29,804</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 5,500	\$ -	\$ -	\$ 5,500
Due to other funds	494	-	-	494
<b>Total Liabilities</b>	<u>5,994</u>	<u>-</u>	<u>-</u>	<u>5,994</u>
<b>FUND BALANCE (DEFICIT)</b>				
Assigned	-	12,151	12,153	24,304
Unassigned	(494)	-	-	(494)
<b>Total Fund Balance (Deficit)</b>	<u>(494)</u>	<u>12,151</u>	<u>12,153</u>	<u>23,810</u>
<b>TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)</b>	<u>\$ 5,500</u>	<u>\$ 12,151</u>	<u>\$ 12,153</u>	<u>\$ 29,804</u>

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GENERAL FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2013

	Conferences	Fingerprinting	General State Aid - Regional Safe School	TOTALS
<b>REVENUES</b>				
Local sources	\$ 14,638	\$ 3,428	\$ 104,736	\$ 122,802
On-behalf payments - County	60,590	-	-	60,590
State sources	12,500	-	146,447	158,947
On-behalf payments - State	302,479	-	-	302,479
Total Revenues	<u>390,207</u>	<u>3,428</u>	<u>251,183</u>	<u>644,818</u>
<b>EXPENDITURES</b>				
Salaries and benefits	13,692	-	-	13,692
Purchased services	13,715	3,245	251,861	268,821
Other objects	25	-	-	25
On-behalf payments	363,069	-	-	363,069
Debt service				
Interest expense	5	-	478	483
Total Expenditures	<u>390,506</u>	<u>3,245</u>	<u>252,339</u>	<u>646,090</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>(299)</u>	<u>183</u>	<u>(1,156)</u>	<u>(1,272)</u>
<b>OTHER FINANCING SOURCES</b>				
Interest income	<u>1</u>	<u>26</u>	<u>91</u>	<u>118</u>
Total Other Financing Sources	<u>1</u>	<u>26</u>	<u>91</u>	<u>118</u>
<b>NET CHANGE IN FUND BALANCE (DEFICIT)</b>	<b>(298)</b>	<b>209</b>	<b>(1,065)</b>	<b>(1,154)</b>
<b>FUND BALANCE (DEFICIT) - BEGINNING</b>	<u><b>(196)</b></u>	<u><b>11,942</b></u>	<u><b>13,218</b></u>	<u><b>24,964</b></u>
<b>FUND BALANCE (DEFICIT) - ENDING</b>	<u><u><b>\$ (494)</b></u></u>	<u><u><b>\$ 12,151</b></u></u>	<u><u><b>\$ 12,153</b></u></u>	<u><u><b>\$ 23,810</b></u></u>

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND  
JUNE 30, 2013

	Early Childhood Block Grant	LITES	National School Breakfast	National School Lunch	No Child Left Behind
<b>ASSETS</b>					
Cash and cash equivalents	\$ 77,931	\$ 1,882	\$ -	\$ -	\$ 3,126
Due from other governments					
State	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 77,931</b>	<b>\$ 1,882</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,126</b>
<b>LIABILITIES</b>					
Note payable	\$ 41,664	\$ -	\$ -	\$ -	\$ -
Unearned revenue	36,267	1,882	-	-	3,126
<b>Total Liabilities</b>	<b>77,931</b>	<b>1,882</b>	<b>-</b>	<b>-</b>	<b>3,126</b>
<b>FUND BALANCE (DEFICIT)</b>					
Assigned	-	-	-	-	-
<b>Total Fund Balance (Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)</b>	<b>\$ 77,931</b>	<b>\$ 1,882</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,126</b>

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND  
JUNE 30, 2013

	Regional Safe Schools	ROE/ISC Operations	Rural School Achievement Program	State Free Lunch & Breakfast
<b>ASSETS</b>				
Cash and cash equivalents	\$ 235	\$ 382	\$ -	\$ -
Due from other governments				
State	9,678	2,151	-	-
<b>TOTAL ASSETS</b>	<b>\$ 9,913</b>	<b>\$ 2,533</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Note payable	\$ 9,678	\$ 2,151	\$ -	\$ -
Unearned revenue	235	382	-	-
<b>Total Liabilities</b>	<b>9,913</b>	<b>2,533</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE (DEFICIT)</b>				
Assigned	-	-	-	-
<b>Total Fund Balance (Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)</b>	<b>\$ 9,913</b>	<b>\$ 2,533</b>	<b>\$ -</b>	<b>\$ -</b>

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND  
JUNE 30, 2013

	Substance Abuse Prevention Program	Title II - Teacher Quality	Truants Alternative Optional Education	TOTALS
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,421	\$ -	\$ 938	\$ 85,915
Due from other governments				
State	9,365	3,000	7,628	31,822
<b>TOTAL ASSETS</b>	<b>\$ 10,786</b>	<b>\$ 3,000</b>	<b>\$ 8,566</b>	<b>\$ 117,737</b>
<b>LIABILITIES</b>				
Note payable	\$ 10,767	\$ 3,000	\$ 7,628	\$ 74,888
Unearned revenue	19	-	626	42,537
<b>Total Liabilities</b>	<b>10,786</b>	<b>3,000</b>	<b>8,254</b>	<b>117,425</b>
<b>FUND BALANCE (DEFICIT)</b>				
Assigned	-	-	312	312
<b>Total Fund Balance (Deficit)</b>	<b>-</b>	<b>-</b>	<b>312</b>	<b>312</b>
<b>TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)</b>	<b>\$ 10,786</b>	<b>\$ 3,000</b>	<b>\$ 8,566</b>	<b>\$ 117,737</b>

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
EDUCATION FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2013

	Early Childhood Block Grant	LITES	National School Breakfast	National School Lunch	No Child Left Behind
<b>REVENUES</b>					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	433,123	-	-	-	-
Federal sources	-	1,298	8,083	13,013	622
Total Revenues	<u>433,123</u>	<u>1,298</u>	<u>8,083</u>	<u>13,013</u>	<u>622</u>
<b>EXPENDITURES</b>					
Salaries and benefits	376,025	-	-	-	-
Purchased services	39,193	1,242	-	-	630
Supplies and materials	12,684	61	-	-	-
Capital outlay	1,374	-	-	-	-
Payments to other governments	-	-	8,083	13,013	-
Other objects	-	-	-	-	-
Debt service					
Interest expense	3,988	-	-	-	-
Total Expenditures	<u>433,264</u>	<u>1,303</u>	<u>8,083</u>	<u>13,013</u>	<u>630</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(141)</u>	<u>(5)</u>	<u>-</u>	<u>-</u>	<u>(8)</u>
<b>OTHER FINANCING SOURCES</b>					
Interest income	141	5	-	-	8
Total Other Financing Sources	<u>141</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>8</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	-	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	-	-	-	-	-
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
EDUCATION FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2013

	Regional Safe Schools	ROE/ISC Operations	Rural School Achievement Program	State Free Lunch & Breakfast
<b>REVENUES</b>				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	53,238	25,724	-	741
Federal sources	-	-	20,000	-
Total Revenues	<u>53,238</u>	<u>25,724</u>	<u>20,000</u>	<u>741</u>
<b>EXPENDITURES</b>				
Salaries and benefits	2,661	17,255	1,000	-
Purchased services	50,577	3,887	19,000	-
Supplies and materials	-	2,225	-	-
Capital outlay	-	-	-	-
Payments to other governments	-	-	-	741
Other objects	-	2,357	-	-
Debt service				
Interest expense	-	-	-	-
Total Expenditures	<u>53,238</u>	<u>25,724</u>	<u>20,000</u>	<u>741</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES</b>				
Interest income	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
EDUCATION FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2013

	Substance Abuse Prevention Program	Title II - Teacher Quality	Truants Alternative Optional Education	TOTALS
<b>REVENUES</b>				
Local sources	\$ -	\$ -	\$ 20,866	\$ 20,866
State sources	4,460	-	76,271	593,557
Federal sources	64,138	3,000	-	110,154
Total Revenues	<u>68,598</u>	<u>3,000</u>	<u>97,137</u>	<u>724,577</u>
<b>EXPENDITURES</b>				
Salaries and benefits	47,626	-	80,415	524,982
Purchased services	9,677	3,000	12,485	139,691
Supplies and materials	8,655	-	616	24,241
Capital outlay	2,640	-	-	4,014
Payments to other governments	-	-	-	21,837
Other objects	-	-	2,682	5,039
Debt service				
Interest expense	-	-	663	4,651
Total Expenditures	<u>68,598</u>	<u>3,000</u>	<u>96,861</u>	<u>724,455</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>276</u>	<u>122</u>
<b>OTHER FINANCING SOURCES</b>				
Interest income	-	-	36	190
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>36</u>	<u>190</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	-	312	312
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 312</u>	<u>\$ 312</u>

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNT  
EARLY CHILDHOOD BLOCK GRANT  
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
<b>REVENUE</b>			
State sources	\$ 435,560	\$ 435,560	\$ 433,123
Total Revenue	<u>435,560</u>	<u>435,560</u>	<u>433,123</u>
<b>EXPENDITURES</b>			
Salaries and benefits	380,909	386,739	376,025
Purchased services	39,473	35,872	39,193
Supplies and materials	11,678	9,829	12,684
Capital outlay	500	120	1,374
Other objects	3,000	3,000	-
Interest expense	-	-	3,988
Total Expenditures	<u>435,560</u>	<u>435,560</u>	<u>433,264</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>			
	<u>-</u>	<u>-</u>	<u>(141)</u>
<b>OTHER FINANCING SOURCES:</b>			
Interest income	-	-	141
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>141</u>
<b>NET CHANGE IN FUND BALANCE BALANCE (DEFICIT)</b>			
	-	-	-
<b>FUND BALANCE (DEFICIT) - BEGINNING</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE (DEFICIT) - ENDING</b>			
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNT  
REGIONAL SAFE SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 53,238	\$ 53,238	\$ 53,238
Total Revenue	<u>53,238</u>	<u>53,238</u>	<u>53,238</u>
EXPENDITURES			
Salaries and benefits	2,661	2,661	2,661
Purchased services	50,577	50,577	50,577
Total Expenditures	<u>53,238</u>	<u>53,238</u>	<u>53,238</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CHRISTIAN/MONTGOMERY COUNTIES  
 REGIONAL OFFICE OF EDUCATION #10  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNT  
 ROE/ISC OPERATIONS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 25,724	\$ 25,724	\$ 25,724
Total Revenue	<u>25,724</u>	<u>25,724</u>	<u>25,724</u>
EXPENDITURES			
Salaries and benefits	16,426	17,257	17,255
Purchased services	3,882	3,958	3,887
Supplies and materials	1,914	2,152	2,225
Other objects	3,502	2,357	2,357
Total Expenditures	<u>25,724</u>	<u>25,724</u>	<u>25,724</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNT  
SUBSTANCE ABUSE PREVENTION PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
<b>REVENUE</b>			
State sources	\$ -	\$ -	\$ 4,460
Federal sources	70,000	70,000	64,138
Total Revenue	<u>70,000</u>	<u>70,000</u>	<u>68,598</u>
<b>EXPENDITURES</b>			
Salaries and benefits	43,975	47,332	47,626
Purchased services	14,412	11,170	9,677
Supplies and materials	11,613	8,563	8,655
Capital outlay	-	2,935	2,640
Total Expenditures	<u>70,000</u>	<u>70,000</u>	<u>68,598</u>
<b>NET CHANGE IN FUND BALANCE (DEFICIT)</b>			
	-	-	-
<b>FUND BALANCE (DEFICIT) - BEGINNING</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE (DEFICIT) - ENDING</b>			
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CHRISTIAN/MONTGOMERY COUNTIES  
 REGIONAL OFFICE OF EDUCATION #10  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNT  
 TITLE II - TEACHER QUALITY  
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 3,150	\$ 3,675	\$ 3,000
Total Revenue	<u>3,150</u>	<u>3,675</u>	<u>3,000</u>
EXPENDITURES			
Purchased services	<u>3,150</u>	<u>3,675</u>	<u>3,000</u>
Total Expenditures	<u>3,150</u>	<u>3,675</u>	<u>3,000</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNT  
TRUANTS ALTERNATIVE AND OPTIONAL EDUCATION  
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
<b>REVENUE</b>			
Local sources	\$ -	\$ -	\$ 20,866
State sources	76,271	76,271	76,271
Total Revenue	<u>76,271</u>	<u>76,271</u>	<u>97,137</u>
<b>EXPENDITURES</b>			
Salaries and benefits	61,144	62,549	80,415
Purchased services	9,745	9,896	12,485
Supplies and materials	707	707	616
Other objects	4,675	3,119	2,682
Interest expense	-	-	663
Total Expenditures	<u>76,271</u>	<u>76,271</u>	<u>96,861</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>276</u>
<b>OTHER FINANCING SOURCES:</b>			
Interest income	-	-	36
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>36</u>
<b>NET CHANGE IN FUND BALANCE (DEFICIT)</b>	<u>-</u>	<u>-</u>	<u>312</u>
<b>FUND BALANCE (DEFICIT) - BEGINNING</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE (DEFICIT) - ENDING</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 312</u></u>

Note: The budget amount for the Truants Alternative and Optional Education reflects only the amounts pertaining to the Truants Alternative and Optional Education Grant. The actual amounts reflect grant funds as well as other State and local monies which are not subject to grant budget requirements.

CHRISTIAN/MONTGOMERY COUNTIES  
 REGIONAL OFFICE OF EDUCATION #10  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2013

	Bus Driver Training	General Education Development	TOTALS
ASSETS			
Cash and cash equivalents	\$ 8,258	\$ 12,377	\$ 20,635
TOTAL ASSETS	<u>\$ 8,258</u>	<u>\$ 12,377</u>	<u>\$ 20,635</u>
FUND BALANCE (DEFICIT)			
Restricted	\$ 8,258	\$ 12,377	\$ 20,635
TOTAL FUND BALANCE (DEFICIT)	<u>\$ 8,258</u>	<u>\$ 12,377</u>	<u>\$ 20,635</u>

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	Bus Driver Training	General Education Development	TOTALS
<b>REVENUES</b>			
Local sources	\$ 586	\$ 9,451	\$ 10,037
State sources	680	-	680
Total Revenues	<u>1,266</u>	<u>9,451</u>	<u>10,717</u>
<b>EXPENDITURES</b>			
Salaries and benefits	-	613	613
Purchased services	892	1,610	2,502
Supplies and materials	-	3,782	3,782
Total Expenditures	<u>892</u>	<u>6,005</u>	<u>6,897</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>374</u>	<u>3,446</u>	<u>3,820</u>
<b>OTHER FINANCING SOURCES</b>			
Interest income	18	22	40
Total Other Financing Sources	<u>18</u>	<u>22</u>	<u>40</u>
<b>NET CHANGE IN FUND BALANCE (DEFICIT)</b>	392	3,468	3,860
<b>FUND BALANCE (DEFICIT) - BEGINNING</b>	<u>7,866</u>	<u>8,909</u>	<u>16,775</u>
<b>FUND BALANCE (DEFICIT) - ENDING</b>	<u>\$ 8,258</u>	<u>\$ 12,377</u>	<u>\$ 20,635</u>

CHRISTIAN/MONTGOMERY COUNTIES  
 REGIONAL OFFICE OF EDUCATION #10  
 COMBINING STATEMENT OF NET POSITION  
 NONMAJOR PROPRIETARY FUNDS  
 JUNE 30, 2013

	Business-Type Activities – Enterprise Funds		Total
	Co-op	Workshops	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,391	\$ 3,667	\$ 5,058
Total current assets	<u>1,391</u>	<u>3,667</u>	<u>5,058</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation:	83	-	83
Total noncurrent assets	<u>83</u>	<u>-</u>	<u>83</u>
<b>TOTAL ASSETS</b>	<u>1,474</u>	<u>3,667</u>	<u>5,141</u>
<b>NET POSITION</b>			
Net investment in capital assets	83	-	83
Unrestricted	1,391	3,667	5,058
<b>TOTAL NET POSITION</b>	<u>\$ 1,474</u>	<u>\$ 3,667</u>	<u>\$ 5,141</u>

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities – Enterprise Funds		
	Co-op	Workshops	Total
<b>OPERATING REVENUES</b>			
Local sources	\$ 17,173	\$ 875	\$ 18,048
Total operating revenues	<u>17,173</u>	<u>875</u>	<u>18,048</u>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	17,722	-	17,722
Purchased services	13,549	945	14,494
Supplies and materials	2,196	832	3,028
Depreciation	66	-	66
Total operating expenses	<u>33,533</u>	<u>1,777</u>	<u>35,310</u>
Operating loss	(16,360)	(902)	(17,262)
<b>NONOPERATING REVENUES</b>			
Interest income	<u>25</u>	<u>9</u>	<u>34</u>
CHANGE IN NET POSITION	(16,335)	(893)	(17,228)
TOTAL NET POSITION - BEGINNING	<u>17,809</u>	<u>4,560</u>	<u>22,369</u>
TOTAL NET POSITION - ENDING	<u>\$ 1,474</u>	<u>\$ 3,667</u>	<u>\$ 5,141</u>

CHRISTIAN/MONTGOMERY COUNTIES  
REGIONAL OFFICE OF EDUCATION #10  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities – Enterprise Funds		Total
	Co-op	Workshops	
Cash flows from operating activities:			
Receipts from customers	\$ 17,173	\$ 875	\$ 18,048
Payments to suppliers and providers of goods and services	(15,745)	(1,777)	(17,522)
Payments to employees	(17,722)	-	(17,722)
Net cash used for operating activities	<u>(16,294)</u>	<u>(902)</u>	<u>(17,196)</u>
Cash flows from investing activities:			
Interest income	25	9	34
Net cash provided by investing activities	<u>25</u>	<u>9</u>	<u>34</u>
Cash flows from noncapital financing activities:			
Receipts from interfund borrowing, net	2,995	-	2,995
Net cash provided by noncapital financing activities	<u>2,995</u>	<u>-</u>	<u>2,995</u>
Net decrease in cash and cash equivalents	(13,274)	(893)	(14,167)
Cash and cash equivalents - Beginning	<u>14,665</u>	<u>4,560</u>	<u>19,225</u>
Cash and cash equivalents - Ending	<u>\$ 1,391</u>	<u>\$ 3,667</u>	<u>\$ 5,058</u>
Reconciliation of operating loss to net cash used for operating activities:			
Operating loss	\$ (16,360)	\$ (902)	\$ (17,262)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	<u>66</u>	<u>-</u>	<u>66</u>
Net cash used for operating activities	<u>\$ (16,294)</u>	<u>\$ (902)</u>	<u>\$ (17,196)</u>

CHRISTIAN/MONTGOMERY COUNTIES  
 REGIONAL OFFICE OF EDUCATION #10  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUND  
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
<b><u>REGIONAL DELIVERY SYSTEM</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 162	\$ -	\$ 162	\$ -
Total Assets	<u>\$ 162</u>	<u>\$ -</u>	<u>\$ 162</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 162	\$ -	\$ 162	\$ -
Total Liabilities	<u>\$ 162</u>	<u>\$ -</u>	<u>\$ 162</u>	<u>\$ -</u>