



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #19
DUPAGE COUNTY

**FINANCIAL AUDIT (In Accordance with the Single Audit
Act and OMB Circular A-133)
For the Year Ended: June 30, 2009
Release Date: December 16, 2010**

Summary of Findings:
Total this audit: 1
Total last audit: 1
Repeated from last audit: 1

SYNOPSIS

- The Regional Office of Education #19 did not properly record certain lease transactions.

REGIONAL OFFICE OF EDUCATION #19
DUPAGE COUNTY

FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
For The Year Ended June 30, 2009

	FY 2009	FY 2008
TOTAL REVENUES	\$8,851,481	\$7,874,491
Local Sources	\$2,169,355	\$1,720,981
% of Total Revenues	24.51%	21.86%
State Sources	\$5,087,520	\$4,957,748
% of Total Revenues	57.48%	62.96%
Federal Sources	\$1,594,606	\$1,195,762
% of Total Revenues	18.02%	15.19%
TOTAL EXPENDITURES	\$8,823,499	\$7,854,085
Salaries and Benefits	\$2,688,402	\$2,692,333
% of Total Expenditures	30.47%	34.28%
Purchased Services	\$3,073,258	\$2,766,559
% of Total Expenditures	34.83%	35.22%
All Other Expenditures	\$3,061,839	\$2,395,193
% of Total Expenditures	34.70%	30.50%
TOTAL NET ASSETS	\$2,985,846	\$2,957,864
INVESTMENT IN CAPITAL ASSETS	\$529,408	\$606,953
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Darlene Ruscitti Currently: Honorable Darlene Ruscitti

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

FAILURE TO APPLY APPROPRIATE ACCOUNTING PRINCIPLES

The Regional Office of Education #19 did not properly record certain lease transactions.

The Regional Office of Education #19 did not properly record certain lease transactions. Generally accepted accounting principles (GAAP) require that a lease be capitalized if any one of the following four criteria is a characteristic of the lease transaction: (1) the lease transfers ownership of the property to the lessee by the end of the lease term; (2) the lease contains bargain purchase options; (3) the lease term is equal to 75 percent or more of the estimated economic life of the leased property; or (4) the present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90 percent of the fair value of the leased property. Capital leases are treated as an acquisition of assets and the incurrence of obligations by the lessee.

In Fiscal Year 2009 payments on leases were treated as operating leases and recorded as purchased services. The leases met the criteria requiring them to be capitalized as the lease terms of the equipment were equal to the estimated economic lives of the equipment. As of June 30, 2009, the total net book value of the leased equipment and the present value of the related lease payable were \$110,212 and \$116,251, respectively.

Failure to use the applicable GAAP resulted in inaccurate and incomplete financial statements. In addition, transactions were not recorded in accordance with the Illinois Administrative Code. Financial reports prepared by the Regional Office required additional analysis in order to be comparable and consistent with reporting requirements and GAAP.

Regional Office management stated that while items were placed on the inventory listing, they were unaware that additional technical assistance was needed to properly include the transactions in their accounting records in accordance with GAAP. (Finding 09-1, pages 12-13)

Auditors recommended that the DuPage County Regional Office of Education #19 establish procedures to ensure lease transactions are properly accounted for and reported in accordance with GAAP. If necessary, accounting and reporting guidance should be obtained from technical resources to be in conformity with GAAP. Further, transactions should be carefully reviewed for proper accounting and recognition as required by the Illinois Administrative Code.

The DuPage Regional Office of Education responded that it has created a separate fund which is entitled Fund 1044-Debt Service. The Regional Office notes that lease payments of the noted items should be appropriately placed in this fund after April 1, 2010. Information as to the amount of principal and interest which make up the payment has been obtained from the leasing agency and is on file in the Finance Office of the Regional Office. The amounts of these two categories will be noted on future payments of these leases. Additionally, the Regional Office notes that a staff meeting of the Finance Department had been held as of March 31, 2010, regarding the proper accounting and recognition that needs to be given to forthcoming transactions of this nature. It will be the responsibility of the Director of Finance to be sure that the proper steps are taken with each and every new lease.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #19's financial statements as of June 30, 2009 are fairly presented in all material respects.

WILLIAM G. HOLLAND
Auditor General

WGH:KJM

AUDITORS ASSIGNED: James Williams & Company, LLC, were our special assistant auditors.