

**STATE OF ILLINOIS
DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19**

**FINANCIAL AUDIT
(In Accordance with the Single Audit Act
and OMB Circular A-133)
For the Year Ended June 30, 2011**

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

DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
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DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19

OFFICIALS

Regional Superintendent

Dr. Darlene Ruscitti
(Current and during audit period)

Assistant Regional Superintendent

Mr. John Glimco
(During audit period)
Dr. Joseph Gust
(Current)

Offices are located at:

421 North County Farm Road
Wheaton, Illinois 60187-3999

DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
COMPLIANCE REPORT SUMMARY

The compliance 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 on compliance and on internal controls 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	6	1
Repeated audit findings	-	-
Prior recommendations implemented or not repeated	1	1

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

An additional eight matters which are less than a significant deficiency or material weakness but more than inconsequential, have been reported in a Management Letter of Comments to the Regional Superintendent.

SUMMARY OF FINDINGS AND QUESTIONED COSTS

FINDINGS (*GOVERNMENT AUDITING STANDARDS*)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
11-01	16	Controls over financial statement preparation	Material Weakness
11-02	18	Inadequate internal control procedures	Material Weakness

DUPAGE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 19
 COMPLIANCE REPORT SUMMARY- CONTINUED

SUMMARY OF FINDINGS AND QUESTIONED COSTS - continued

FINDINGS (*GOVERNMENT AUDITING STANDARDS*)

11-03	20	Expenditure reports do not agree to general ledger	Material Weakness
11-04	24	Inadequate documentation of payroll expenditures	Material Weakness
11-05	28	Inadequate controls over property and equipment	Material Weakness
11-06	31	Improper application of matching principle	Material Weakness

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
11-03	20	Expenditure reports do not agree to general ledger	Material Weakness and noncompliance
11-04	24	Inadequate documentation of payroll expenditures	Material Weakness and noncompliance

DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
COMPLIANCE REPORT SUMMARY- CONTINUED

PRIOR AUDIT FINDINGS NOT REPEATED (*GOVERNMENT AUDITING STANDARDS*)

<u>Item No.</u>	<u>Description</u>	<u>Finding Type</u>
10-1	Application Controls Over Electronic Accounting System	N/A

PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

<u>Item No.</u>	<u>Description</u>	<u>Finding Type</u>
	None noted	

DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
COMPLIANCE REPORT SUMMARY- CONTINUED

EXIT CONFERENCE

The DuPage County Regional Office of Education No. 19 opted not to have a formal exit conference during the financial audit for the year ended June 30, 2011. Throughout the audit, numerous meetings were held between auditors and Regional Office officials to discuss matters contained in this audit report. Responses to the recommendations were provided by the Regional Office of Education on June 10, 2013.

DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the DuPage County Regional Office of Education No. 19 was performed by Sikich LLP.

Based on their audit, the auditors expressed a qualified opinion on the DuPage County Regional Office of Education No. 19's basic financial statements.

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the DuPage County Regional Office of Education No. 19, as of and for the year ended June 30, 2011, which collectively comprise the DuPage County Regional Office of Education No. 19's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the DuPage County Regional Office of Education No. 19's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1H to the financial statements, management has not recorded capital assets in governmental activities and business-type activities and accordingly, has not recorded depreciation expense on those assets. As discussed in Note 3 to the financial statements, management has not maintained complete and accurate records to support amounts previously recorded in governmental and business-type activities. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities and business-type activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental and business-type activities is not reasonably determinable.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves about the existence and valuation of the DuPage County Regional Office of Education No. 19's capital assets, the financial statements referred to in the first paragraph 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 DuPage County Regional Office of Education No. 19, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Regional Office of Education No. 19 adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended June 30, 2011. The statement changed the classifications of governmental fund balances and clarified the definitions of existing fund types. The adoption of this statement had no effect on any of the Regional Office of Education No. 19's governmental funds' assets or liabilities nor was there any effect to the total amount of any of the Regional Office of Education No. 19's governmental fund balances as of and for the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 25, 2013 on our consideration of the DuPage County Regional Office of Education No. 19's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 45 through 51 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the DuPage County Regional Office of Education No. 19's basic 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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the

Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sikich LLP

Springfield, Illinois
June 25, 2013

**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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the DuPage County Regional Office of Education No. 19, as of and for the year ended June 30, 2011, which collectively comprise the DuPage County Regional Office of Education No. 19's basic financial statements and have issued our report thereon dated June 25, 2013. The opinions on the Statement of Net Assets and the Statement of Activities for the governmental activities and business-type activities and the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Fund Net Assets, and Statement of Cash Flows for the Proprietary Funds were qualified because the DuPage County Regional Office of Education No. 19 did not maintain complete and accurate capital assets records to allow for an opinion on capital assets and depreciation expense. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the DuPage County Regional Office of Education No. 19 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the DuPage County Regional Office of Education No. 19's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the DuPage County Regional Office of Education No. 19's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the DuPage County Regional Office of Education No. 19's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of

Findings and Questioned Costs we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the DuPage County Regional Office of Education No. 19's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in finding 11-01 through 11-06 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DuPage County Regional Office of Education No. 19'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*.

We also noted certain matters that we reported to management of the DuPage County Regional Office of Education No. 19 in a separate letter dated June 25, 2013.

The DuPage County Regional Office of Education No. 19's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the DuPage County Regional Office of Education No. 19's responses and, accordingly, we express no opinion on them.

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



Springfield, Illinois
June 25, 2013

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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the DuPage County Regional Office of Education No. 19's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the DuPage County Regional Office of Education No. 19's major federal programs for the year ended June 30, 2011. The DuPage County Regional Office of Education No. 19's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the DuPage County Regional Office of Education No. 19's management. Our responsibility is to express an opinion on the DuPage County Regional Office of Education No. 19's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the DuPage County Regional Office of Education No. 19's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the DuPage County Regional Office of Education No. 19's compliance with those requirements.

As described in items 11-03 and 11-04 in the accompanying Schedule of Findings and Questioned Costs, the DuPage County Regional Office of Education No. 19 did not comply with the requirements regarding allowable cost principles and reporting that are applicable to its Title I, Part A Cluster. Compliance with such requirements is necessary, in our opinion, for the DuPage County Regional Office of Education No. 19 to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the DuPage County Regional Office of Education No. 19 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the DuPage County Regional Office of Education No. 19 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the DuPage County Regional Office of Education No. 19's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the DuPage County Regional Office of Education No. 19's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 11-03 and 11-04 to be material weaknesses.

The DuPage County Regional Office of Education No. 19's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the DuPage County Regional Office of Education No. 19's responses and, accordingly, we express no opinion on the responses.

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

Sikich LLP

Springfield, Illinois
June 25, 2013

**DUPAGE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 19
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 SECTION I – SUMMARY OF AUDITORS' RESULTS
 For the Year Ended June 30, 2011**

Financial Statements

Type of auditor's report issued: *qualified*

Internal control over financial reporting:
 Material weakness(es) identified? x yes no
 Significant deficiency(ies) identified? yes x none noted

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? x yes no
 Significant deficiency(ies) identified? yes x no

Type of auditor's report issued on compliance
 for major programs: *qualified*

Any audit findings disclosed that are required
 to be reported in accordance with
 Section .510(a) of Circular A-133? x yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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84.010A & 84.389A	Title I, Part A Cluster
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Dollar threshold used to distinguish
 between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes X no

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2011**

FINDING 11-01 – Controls over financial statement preparation

CRITERIA/SPECIFIC REQUIREMENT:

The DuPage County Regional Office of Education No. 19 (Regional Office) is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

CONDITION:

The Regional Office does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting during the fiscal year and posts year end accrual entries for audit purposes. The Regional Office does not have sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, review of the Regional Office's accounting records noted the following:

- The Regional Office did not maintain adequate internal controls over the processing of all financial transactions and adjustments were required to present financial statements in accordance with generally accepted accounting principles.
- The Regional Office did not appropriately account for transfers between funds and numerous adjustments were required to net transfer amounts from revenue and expense accounts.
- The Regional Office does not have a reporting mechanism to identify the specific expenditures that should be applied to each grant year when program grants have overlapping grant terms and are accounted for in the same trial balance.
- The Regional Office was unable to reconcile capital asset inventory listings with amounts reported in financial statements.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2011**

FINDING 11-01 - Controls over financial statement preparation – Continued

EFFECT:

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

CAUSE:

The Regional Office's accounting personnel have not obtained necessary training to become proficient in the preparation and review of GAAP based financial statements and to ensure inclusion of all disclosures as required by the Governmental Accounting Standards Board (GASB).

RECOMMENDATION:

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

MANAGEMENT'S RESPONSE:

The DuPage County ROE agrees with the finding. We will continue our relationship with a private Certified Public Accountant to prepare (GAAP based) financial statements that include all disclosures required by the Governmental Accounting Standards Board. The Project Managers will play a key role as they will be responsible along with the Finance Office in the review of their respective financial documents. These reviews will be done every quarter. In addition, the Regional Office's accounting personnel will receive training in detecting misstatements and disclosure omissions in a timely manner.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2011**

FINDING 11-02 – Inadequate internal control procedures

CRITERIA/SPECIFIC REQUIREMENT:

The DuPage County Regional Office of Education No. 19 (Regional Office) is required to maintain a system of controls over receipts, disbursements, and reporting to prevent errors and fraud.

CONDITION:

The Regional Office has not established sufficient controls over its accounting functions. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- There is a lack of segregation of duties in the cash disbursements and accounting process. The fiscal staff has full, unrestricted access to the accounting software and also can affix the Regional Superintendent's electronic signature to checks.
- There is a lack of segregation of duties in the cash receipts and accounting process. The Accountant opens mail, has full, unrestricted access to the accounting software and is responsible for monitoring accounts receivable.
- The Regional Office did not adhere to their policy of requiring the Regional Superintendent's approval of purchases. In 11 of 63 (17%) instances, purchase orders were not completed or signed by the Regional Superintendent and/or were approved by the Accountant using a signature stamp of the Regional Superintendent.
- The Regional Office charged an expenditure to only one fund when the supporting documentation indicated that the expenditure applied to three separate funds.

EFFECT:

Management or employees in the normal course of performing their assigned functions may not prevent or detect errors, omissions and/or fraud in a timely manner.

CAUSE:

According to ROE officials, Regional Office employees were not aware of what duties should be segregated to have a more effective process.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2011**

FINDING 11-02 – Inadequate internal control procedures – Continued

RECOMMENDATION:

The Regional Office should adequately segregate duties so that one individual is not involved in all aspects of the cash receipts and disbursement processes. Additionally, the Regional Office should implement a system of internal controls that ensures expenditures are properly approved before disbursements are made and posted to the accounting software correctly.

MANAGEMENT’S RESPONSE:

The DuPage County ROE agrees with the finding. A thorough review will be completed to accomplish the maximum segregation of duties possible with the two full time and two part time members of the finance office. A new policy will be written to insure that there will be three signatures on every purchase order. Included in this policy will be the authorized back-up’s for the Regional Superintendent and the Director of Finance. The initiator of the purchase order should always sign the original. The Finance Office and all employees who create purchase orders will be trained to record the proper fund to avoid corrections that lead to audit questions.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2011**

FINDING 11-03 – Expenditure reports do not agree to general ledger

Federal Program Name: ARRA - Title I – Grants to Local Educational Agencies, Title I – Reading First Part B SEA Funds, Title I – Grants to Local Educational Agencies, Improving Teacher Quality State Grants
Project No: 2011-4854-00, 2010-4337-00, 2011-4331-SS & 2010-4331-SS, 2010-4935-SS
CFDA No: 84.389A, 84.357A, 84.010A, 84.367A
Passed Through: Illinois State Board of Education, Illinois State Board of Education, Will County Regional Office of Education No. 56, Will County Regional Office of Education No. 56
Federal Agency: U.S. Department of Education, U.S. Department of Education, U.S. Department of Education, U.S. Department of Education

CRITERIA/SPECIFIC REQUIREMENT:

Expenditure reports and reimbursement requests for education programs submitted to the Illinois State Board of Education (ISBE) and the Will County Regional Office of Education No. 56 should agree with the expenditures reported on the Regional Office of Education No. 19's general ledger.

Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* (2 CFR Part 225), establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments and federally recognized Indian tribal governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria, among other things, require the expenditures must be allocable, reasonable, and supported by adequate documentation.

CONDITION:

A comparison of expenditure reports to the DuPage County Regional Office of Education No. 19's (Regional Office) general ledger revealed instances where the totals on the final 2011 expenditure reports submitted to the Illinois State Board of Education did not agree with the Regional Office's general ledger. Additionally, a comparison of reimbursement requests submitted to the Will County Regional Office of Education No. 56 also revealed instances where the amounts requested for reimbursement did not agree to the general ledger amounts. The following instances were noted:

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2011**

FINDING 11-03 – Expenditure reports do not agree to general ledger – Continued

- The expenditure report submitted to ISBE for the Regional Safe Schools program (2011-3696-00) reported total expenditures related to salaries of \$212,441 while the general ledger reported total salaries expenditures of \$199,555, a difference of \$12,886.
- The expenditure report submitted to ISBE for the Early Childhood Block Grant program (2011-3705-01) reported total expenditures related to salaries of \$77,353 while the general ledger reported total salaries of \$75,243, a difference of \$2,110. The expenditure report also reported employee benefits of \$25,854 while the general ledger reported total employee benefit expenditures of \$25,747, a difference of \$107.
- The expenditure report submitted to ISBE for the Technology for Success program (2011-3780-00) reported total expenditures related to purchased services of \$55,548. However, \$6,200 of costs charged as support services under purchased services had no documentation other than the program budget to support these costs. Further, the fiscal year 2010 grant period crossed over into fiscal year 2011. The Regional Office reported \$102,573 of total costs expended during the 2010 grant period including \$90,656 of expenditures recognized in fiscal year 2010, leaving the remaining \$11,917 to be recognized in fiscal year 2011. All expenditures in the general ledger for fiscal year 2011 appear to have been applied to the fiscal year 2011 grant leaving \$0 expenditures to be applied to the \$11,917 remaining from the 2010 grant.
- The expenditure report submitted to ISBE for the Gifted Education program (2009-3350-00) reported total expenditures related to salaries of \$18,205 while the general ledger reported total salaries of \$0 for fiscal years 2009, 2010 and 2011 (duration of grant period), a difference of \$18,205.
- The expenditure report submitted to the Illinois Violence Prevention Authority for the Social/Emotional Learning program (10-ROE003-07) reported total grant expenditures of \$167,373 while the general ledger reported total expenditures of \$144,620 for fiscal years 2010 and 2011 (duration of grant period), a difference of \$22,753.
- The expenditure report submitted to ISBE for the Title I – Reading First Part B SEA Funds program (2010-4337-00) reported total expenditures related to purchased services of \$73,347 while the general ledger reported purchased services expenditures of \$69,047, a difference of \$4,300. Total unsupported costs were \$4,300.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2011**

FINDING 11-03 – Expenditure reports do not agree to general ledger – Continued

- The expenditure report submitted to ISBE for the ARRA – Title I – Grants to Local Educational Agencies program (2011-4854-00) reported total expenditures of \$156,719 while the general ledger reported total expenditures of \$140,105. The Regional Office submitted a final expenditure report to ISBE that reported \$10,601 of costs charged as support services but had no documentation other than the program budget to support these costs. Further, the Regional Office did not report all expenditures under the appropriate ISBE functional category (except for supplies and materials). Total unsupported costs were \$16,614.
- In 4 of 12 (33%) reimbursement requests submitted to the Will County Regional Office of Education No. 56 for the Title I - Grants to Local Educational Agencies, and Improving Teacher Quality State Grants, the request did not agree to general ledger detail in total and/or by category. The August 2010 reimbursement request reported total expenditures of \$35,380 while the general ledger reported total expenditures of \$34,801, a difference of \$579. The December 2010 reimbursement request reported \$199 in travel costs as employee benefits while salaries for RESPRO staff were reported as \$3,563 under salaries and \$4,468 under administrative costs, which over reported total salary expenses per the general ledger by \$653. The March 2011 reimbursement request reported \$7,630 as administration costs; however, this amount is reported under salaries in the general ledger. Additionally, total expenses reported for March 2011 are \$2,800 greater than the total general ledger expenditures for this month. In the April 2011 reimbursement request, expenditures were over reported in two separate categories. The Regional Office reported \$13,130 in reimbursement request for subs/stipends but the general ledger reported total expenditures for this category of \$7,177, a difference of \$5,953. Further, the Regional Office reported \$27,933 in reimbursement request for materials, books, and supplies to support training but the general ledger reported total expenditures for this category of \$19,933, a difference of \$8,000. Total unsupported costs were \$18,184.

QUESTIONED COSTS:

CFDA #84.357A -	\$ 4,300
CFDA #84.389A -	\$16,614
CFDA #84.010A -	<u>\$18,184</u>
Total	<u>\$39,098</u>

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2011**

FINDING 11-03 – Expenditure reports do not agree to general ledger – Continued

CONTEXT:

A sample of final expenditure reports and reimbursement requests related to programs expending federal funds were examined, noting that the records maintained by the Regional Office did not support the amount of expenditures reported to funding sources.

EFFECT:

Inaccurate expenditure reports were submitted, which could lead to granting agencies requesting reimbursements or adjusting the fiscal year 2012 grant amounts.

CAUSE:

According to Regional Office officials, the Regional Office personnel responsible for expenditure reports prepared the reports based on numbers that were not adjusted for year-end entries.

RECOMMENDATION:

The Regional Office personnel responsible for preparing the expenditure reports should ensure all expenditure reports are supported by the appropriate adjusted general ledger maintained in the Regional Office's accounting software.

MANAGEMENT'S RESPONSE:

The DuPage County ROE agrees with the finding. The expenditure reports may not always agree with the general ledger. An example would be a program that is funded by a state grant and local funds. In Finding 11-01 we talked about quarterly reviews with the Project Managers. This is the time to correct items charged to the grant in error. The journal entry will be done promptly and adequately explained and identified to the proper year (Ex. FY 12) on the general ledger report. A reconciliation will be prepared thoroughly documenting the difference between the expenditure report and the general ledger report.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2011**

FINDING 11-04 – Inadequate documentation of payroll expenditures

Federal Program Name: WIA Youth Activities, ARRA - Title I – Grants to Local Educational Agencies, Title I – Grants to Local Educational Agencies
Project No: PY2010-01, 2011-4854-00, 2011-4331-SS & 2010-4331-SS,
CFDA No: 17.259, 84.389A, 84.010A
Passed Through: DuPage County Economic Development and Planning,
Illinois State Board of Education, Will County Regional Office of
Education No. 56
Federal Agency: U.S. Department of Labor, U.S. Department of Education,
U.S. Department of Education

CRITERIA/SPECIFIC REQUIREMENT:

Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments and federally recognized Indian tribal governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria, among other things, require the expenditures must be allocable, reasonable, and supported by adequate documentation.

Part 4 of the OMB Circular A-133 Compliance Supplement for the Department of Education prescribes that employee time and effort distribution records must be maintained to document the portion of time and effort dedicated to the single cost objective and each program or other cost objective supported by non-consolidated Federal funds or other revenue sources. Time-and-effort requirements vary under different circumstances:

- Charges to federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with the generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit. (OMB Circular A-87, Attachment B, paragraphs 8.h.(1))
- Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee and supervisory official having firsthand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B, paragraphs 8.h.(3))

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2011**

FINDING 11-04 – Inadequate documentation of payroll expenditures – Continued

- Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the following standards unless another substitute system has been approved by the cognizant federal agency:
 - a. They must reflect an after the fact distribution of the actual activity of each employee;
 - b. They must account for the total activity for which each employee is compensated;
 - c. They must be prepared at least monthly and must coincide with one or more pay periods;
 - d. They must be signed by the employee; and
 - e. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes provided that:
 - The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

(OMB Circular A-87, Attachment B, paragraphs 8.h. (4), (5), and (6))

CONDITION:

During our review of 10 payroll transactions for 10 separate employees, we noted the following:

- 2 of 10 (20%) payroll transactions were not approved by a responsible official of the governmental unit.
- 4 of 10 (40%) payroll transactions were not adequately supported by personnel activity reports or equivalent documentation, specifically:
 - a. 2 of 4 instances noted above were not supported by a personnel activity report.
 - b. 2 of 4 instances noted above were not supported by complete personnel activity reports. Personnel activity reports did not support the total amount paid from the federal award.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2011**

FINDING 11-04 – Inadequate documentation of payroll expenditures – Continued

- 1 of 63 (2%) expenditure transactions, the Regional Office allocated and charged costs related to administration support to the ARRA - Title I – Grants to Local Educational Agencies program solely based on budgets. No personnel activity reports were prepared or completed to support these costs nor does the Regional Office utilize a cost allocation plan.

QUESTIONED COSTS:

Not determinable

CONTEXT:

The salaries and benefits expenditures for the Regional Office for fiscal year 2011 totaled \$1,286,177 of which \$122,704 pertains to WIA Youth Activities and \$79,131 pertains to Title I - Grants to Local Educational Agencies.

EFFECT:

Failure to prepare personnel activity reports does not provide a sufficient basis for the allocation of actual payroll charges incurred by the program, which may result in a program being over or under charged for salary and benefits. Also, noncompliance with the Allowable Costs/Cost Principles of OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* may result in the federal funds being expended for unallowable purposes.

CAUSE:

The Regional Office does not have established policies and procedures regarding salaries and benefits that incorporates the requirements of Allowable Costs/Cost Principles of OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* for compensation for personnel services.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2011**

FINDING 11-04 – Inadequate documentation of payroll expenditures – Continued

RECOMMENDATION:

The Regional Office should develop and implement adequate policies and procedures to ensure compliance with the Allowable Costs/Cost Principles of OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* for compensation for personnel services. These policies and procedures should include requiring staff involved in multiple programs to submit personnel activity reports by program or a time and effort report by program. The Regional Office should also establish a payroll cost allocation procedure that allows for computation and comparison of actual time charged with budgeted or pre-determined allocation rates on a regular basis. Payroll charges by program should be based on the time devoted and identified specifically to the performance of those programs.

MANAGEMENT'S RESPONSE:

The DuPage County ROE agrees with the finding. We are in the process of revising our time sheets to insure that the time spent is properly recorded against the program they are working on and is approved by the respective project managers. A training session sponsored by the Finance Office will be held with all ROE employees and consultants to insure compliance with all of the requirements of OMB Circular A-87. A Certification from employees of federal programs will be required every six months indicating they worked full time on these programs. A policy will be developed to create a cost allocation plan. As indicated in Finding 11-01, a training session for the Finance Office will be held to determine if all of the changes above meet the requirements of OMB Circular A-87.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2011**

FINDING 11-05 – Inadequate controls over property and equipment

CRITERIA/SPECIFIC REQUIREMENT:

The Regional Office of Education (ROE) Accounting Manual requires each ROE to maintain detailed fixed asset records for both accounting purposes as well as insurance purposes, for fixed assets costing \$500 or more. Generally accepted accounting principles require that an inventory of all fixed assets and depreciation schedules for assets meeting the capitalization threshold for reporting be maintained.

The ROE Accounting Manual also states the fixed asset inventory records should include: the inventory control number (tag number); major asset class; function and activity; reference to the acquisition source document; acquisition date; vendor; a short description of the asset; unit charged with custody; location; fund and account from which purchased; method of acquisition; estimated useful life and method of depreciation; estimated salvage value; and date, method, and authorization of disposition.

In addition, the Illinois State Board of Education's *State and Federal Grant Administration Policy and Fiscal Requirements and Procedures* requires that property records for assets purchased with grant funds, must be maintained, that include: description of the property; serial number or other identification number; source of property; who holds title; acquisition date and cost of property; percentage of State/federal participation in the cost of the property; location, use and condition of the property; and disposition date including the date of disposal and sale price of the property.

CONDITION:

The Regional Office did not have adequate controls over property and equipment. The Regional Office maintains two inventory listings, one kept by Information Technology (IT) personnel and one kept by Fiscal personnel. The Regional Office has not performed a reconciliation between the two listings. The annual physical inventory is conducted from the IT inventory listing. The inventory listings provided by the Regional Office were inaccurate and incomplete. We noted the following:

- Many items on both inventory listings did not include all information required by the ROE Accounting Manual and the Illinois State Board of Education's *State and Federal Grant Administration Policy and Fiscal Requirements and Procedures*.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2011**

FINDING 11-05 – Inadequate controls over property and equipment – Continued

- There were many inconsistencies in both inventory listings and many items lacked sufficient detailed descriptions and information for identification and/or reconciliation of items between listings.
- 2 of 25 (8%) items selected for testing from the Fiscal Department inventory listing could not be located.
- 2 of 25 (8%) items selected for testing from the Fiscal Department inventory listing were found in locations inconsistent with the location noted on the inventory listing.
- 1 of 25 (4%) tagged items selected for testing was incorrectly described in the IT inventory listing.
- The Regional Office does not have a formal process in place to track dispositions of assets.

EFFECT:

The absence of a sound system of internal controls over fixed assets can result in inaccurate reporting of fixed assets and inadequate physical control for equipment items. An incomplete fixed asset listing does not provide an adequate basis for physical control and losses may occur without being detected.

CAUSE:

According to the Regional Office, fiscal employees were not aware of requirements of the ROE Accounting Manual and the Illinois State Board of Education's *State and Federal Grant Administration Policy and Fiscal Requirements and Procedures*.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2011**

FINDING 11-05 – Inadequate controls over property and equipment – Continued

RECOMMENDATION:

The Regional Office should establish and implement detailed written policies and procedures for inventory that comply with the requirements of both the ROE Accounting Manual and the Illinois State Board of Education's *State and Federal Grant Administration Policy and Fiscal Requirements and Procedures* to effectively and efficiently monitor property acquisitions, transfers and disposals, and provide for accurate reporting of fixed asset balances.

The policies and procedures should be updated on a periodic basis or at least annually and include the following:

- procedures for the individual responsible for annual inventory listings to ensure annually that all lists are consistently completed and accurate;
- procedures for documenting, recording, and assigning values for donated items;
- procedures for recording and updating inventory and asset listings as assets are purchased; and
- procedures for the disposition of assets.

MANAGEMENT'S RESPONSE:

The DuPage County ROE agrees with the finding. We are currently reconciling the fixed assets inventory to reflect items over \$2,000 and include all information required by the ROE Accounting Manual and The Illinois State Board of Education's *State and Federal Grant Administration Policy and Fiscal Requirements and Procedures*. In addition the DuPage County ROE's policies and procedures for inventory are being revised to insure full compliance and include the use of the accounts payable system for fixed assets which is used to compile the list of purchases for future audits. The procedure will include all of the items in the recommendation provided by the Auditor for Finding 11-05.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2011**

FINDING 11-06 – Improper application of matching principle

CRITERIA/SPECIFIC REQUIREMENT:

According to generally accepted accounting principles, revenues should be recognized when they are realized and realizable and are earned, no matter when cash is received. When applying the matching principle, expenses are incurred and offset against recognized revenues which were generated from those expenditures, regardless of when cash is paid out.

CONDITION:

The Regional Office did not always properly apply the matching principle. It appears the Regional Office did not properly match grant revenues to grant expenses in the prior fiscal year, resulting in revenue being recognized in the current year without having expenditures to support the revenues. However, as noted in finding 11-01, the Regional Office does not have a reporting mechanism to identify the specific expenditures that should be applied to each grant year when program grants have overlapping grant terms and are accounted for in the same trial balance. This makes the matching principle difficult to apply and calculation of any overstatement or understatement of revenue impossible to determine.

EFFECT:

The Regional Office may potentially over/understate grant revenue.

CAUSE:

According to the Regional Office, fiscal staff lacks the training and understanding of generally accepted accounting principles regarding the application of the matching principle.

RECOMMENDATION:

The Regional Office should implement procedures to track grant expenditures by each grant when grant terms overlap to ensure the matching principle is applied properly and the appropriate amount of grant revenue is recognized. The Regional Office should also ensure its fiscal staff is knowledgeable of generally accepted accounting principles.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2011**

FINDING 11-06 – Improper application of matching principle – Continued

MANAGEMENT’S RESPONSE:

The DuPage County ROE agrees with the finding. In Finding 11-03, grant expenditures and revenue should be identified to the proper year (Ex. FY 12) thus making it possible to apply the GAAP Matching Principle. In addition, as indicated in finding 11-01, accounting personnel will be trained in the applicable GAAP Standards.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION III – FEDERAL AWARD FINDINGS
For the Year Ended June 30, 2011**

INSTANCES OF NONCOMPLIANCE:

Finding 11-03 – (finding details on pages 20-23)

Finding 11- 04 – (finding details on pages 24-27)

MATERIAL WEAKNESSES:

Finding 11-03 – (finding details on pages 20-23)

Finding 11- 04 – (finding details on pages 24-27)

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2011**

Corrective Action Plan

FINDING 11-01 – Controls over financial statement preparation

CONDITION:

The Regional Office does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting during the fiscal year and posts year end accrual entries for audit purposes. The Regional Office does not have sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, review of the Regional Office's accounting records noted the following:

- The Regional Office did not maintain adequate internal controls over the processing of all financial transactions and adjustments were required to present financial statements in accordance with generally accepted accounting principles.
- The Regional Office did not appropriately account for transfers between funds and numerous adjustments were required to net transfer amounts from revenue and expense accounts.
- The Regional Office does not have a reporting mechanism to identify the specific expenditures that should be applied to each grant year when program grants have overlapping grant terms and are accounted for in the same trial balance.
- The Regional Office was unable to reconcile capital asset inventory listings with amounts reported in financial statements.

PLAN:

The Regional Office will continue their relationship with a private Certified Public Accountant to prepare (GAAP based) financial statements that include all disclosures required by the Governmental Accounting Standards Board. The Project Managers will play a key role as they will be responsible along with the Finance Office in the review of their respective financial documents. These reviews will be done every quarter. In addition, the Regional Office's accounting personnel will receive training in detecting misstatements and disclosure omissions in a timely manner.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2011**

Corrective Action Plan

FINDING 11-01 – Controls over financial statement preparation – *continued*

ANTICIPATED DATE OF COMPLETION:

March 31, 2014

CONTACT PERSON:

Dr. Darlene Ruscitti, Regional Superintendent

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2011**

Corrective Action Plan

FINDING 11-02 – Inadequate internal control procedures

CONDITION:

The Regional Office has not established sufficient controls over its accounting functions. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- There is a lack of segregation of duties in the cash disbursements and accounting process. The fiscal staff has full, unrestricted access to the accounting software and also can affix the Regional Superintendent's electronic signature to checks.
- There is a lack of segregation of duties in the cash receipts and accounting process. The Accountant opens mail, has full, unrestricted access to the accounting software and is responsible for monitoring accounts receivable.
- The Regional Office did not adhere to their policy of requiring the Regional Superintendent's approval of purchases. In 11 of 63 (17%) instances, purchase orders were not completed or signed by the Regional Superintendent and/or were approved by the Accountant using a signature stamp of the Regional Superintendent.
- The Regional Office charged an expenditure to only one fund when the supporting documentation indicated that the expenditure applied to three separate funds.

PLAN:

The Regional Office will complete a thorough review to accomplish the maximum segregation of duties possible with the two full time and two part time members of the finance office. A new policy will be written to insure that there will be three signatures on every purchase order. Included in this policy will be the authorized back-up's for the Regional Superintendent and the Director of Finance. The initiator of the purchase order should always sign the original. The Finance Office and all employees who create purchase orders will be trained to record the proper fund to avoid corrections that lead to audit questions.

ANTICIPATED DATE OF COMPLETION:

December 31, 2013

CONTACT PERSON:

Dr. Darlene Ruscitti, Regional Superintendent

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2011**

Corrective Action Plan

FINDING 11-03 – Expenditure reports do not agree to general ledger

CONDITION:

A comparison of expenditure reports to the DuPage County Regional Office of Education No. 19's (Regional Office) general ledger revealed instances where the totals on the final 2011 expenditure reports submitted to the Illinois State Board of Education did not agree with the Regional Office's general ledger. Additionally, a comparison of reimbursement requests submitted to the Will County Regional Office of Education No. 56 also revealed instances where the amounts requested for reimbursement did not agree to the general ledger amounts. The following instances were noted:

- The expenditure report submitted to ISBE for the Regional Safe Schools program (2011-3696-00) reported total expenditures related to salaries of \$212,441 while the general ledger reported total salaries expenditures of \$199,555, a difference of \$12,886.
- The expenditure report submitted to ISBE for the Early Childhood Block Grant program (2011-3705-01) reported total expenditures related to salaries of \$77,353 while the general ledger reported total salaries of \$75,243, a difference of \$2,110. The expenditure report also reported employee benefits of \$25,854 while the general ledger reported total employee benefit expenditures of \$25,747, a difference of \$107.
- The expenditure report submitted to ISBE for the Technology for Success program (2011-3780-00) reported total expenditures related to purchased services of \$55,548. However, \$6,200 of costs charged as support services under purchased services had no documentation other than the program budget to support these costs. Further, the fiscal year 2010 grant period crossed over into fiscal year 2011. The Regional Office reported \$102,573 of total costs expended during the 2010 grant period including \$90,656 of expenditures recognized in fiscal year 2010, leaving the remaining \$11,917 to be recognized in fiscal year 2011. All expenditures in the general ledger for fiscal year 2011 appear to have been applied to the fiscal year 2011 grant leaving \$0 expenditures to be applied to the \$11,917 remaining from the 2010 grant.
- The expenditure report submitted to ISBE for the Gifted Education program (2009-3350-00) reported total expenditures related to salaries of \$18,205 while the general ledger reported total salaries of \$0 for fiscal years 2009, 2010 and 2011 (duration of grant period), a difference of \$18,205.
- The expenditure report submitted to the Illinois Violence Prevention Authority for the Social/Emotional Learning program (10-ROE003-07) reported total grant expenditures of \$167,373 while the general ledger reported total expenditures of \$144,620 for fiscal years 2010 and 2011 (duration of grant period), a difference of \$22,753.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2011**

Corrective Action Plan

FINDING 11-03 – Expenditure reports do not agree to general ledger – continued

- The expenditure report submitted to ISBE for the Title I – Reading First Part B SEA Funds program (2010-4337-00) reported total expenditures related to purchased services of \$73,347 while the general ledger reported purchased services expenditures of \$69,047, a difference of \$4,300. Total unsupported costs were \$4,300.
- The expenditure report submitted to ISBE for the ARRA – Title I – Grants to Local Educational Agencies program (2011-4854-00) reported total expenditures of \$156,719 while the general ledger reported total expenditures of \$140,105. The Regional Office submitted a final expenditure report to ISBE that reported \$10,601 of costs charged as support services but had no documentation other than the program budget to support these costs. Further, the Regional Office did not report all expenditures under the appropriate ISBE functional category (except for supplies and materials). Total unsupported costs were \$16,614.
- In 4 of 12 (33%) reimbursement requests submitted to the Will County Regional Office of Education No. 56 for the Title I - Grants to Local Educational Agencies, and Improving Teacher Quality State Grants, the request did not agree to general ledger detail in total and/or by category. The August 2010 reimbursement request reported total expenditures of \$35,380 while the general ledger reported total expenditures of \$34,801, a difference of \$579. The December 2010 reimbursement request reported \$199 in travel costs as employee benefits while salaries for RESPRO staff were reported as \$3,563 under salaries and \$4,468 under administrative costs, which over reported total salary expenses per the general ledger by \$653. The March 2011 reimbursement request reported \$7,630 as administration costs; however, this amount is reported under salaries in the general ledger. Additionally, total expenses reported for March 2011 are \$2,800 greater than the total general ledger expenditures for this month. In the April 2011 reimbursement request, expenditures were over reported in two separate categories. The Regional Office reported \$13,130 in reimbursement request for subs/stipends but the general ledger reported total expenditures for this category of \$7,177, a difference of \$5,953. Further, the Regional Office reported \$27,933 in reimbursement request for materials, books, and supplies to support training but the general ledger reported total expenditures for this category of \$19,933, a difference of \$8,000. Total unsupported costs were \$18,184.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2011**

Corrective Action Plan

FINDING 11-03 – Expenditure reports do not agree to general ledger – continued

PLAN:

The Regional Office will require quarterly reviews to be completed by Project Managers to review and correct items charged to the grant in error. Any necessary journal entries will be done promptly and adequately explained and identified to the proper year (Ex. FY 12) on the general ledger report. A reconciliation will be prepared thoroughly documenting the difference between the expenditure report and the general ledger report.

ANTICIPATED DATE OF COMPLETION:

July 31, 2013

CONTACT PERSON:

Dr. Darlene Ruscitti, Regional Superintendent

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2011**

Corrective Action Plan

FINDING 11-04 – Inadequate documentation of payroll expenditures

CONDITION:

During our review of 10 payroll transactions for 10 separate employees, we noted the following:

- 2 of 10 (20%) payroll transactions were not approved by a responsible official of the governmental unit.
- 4 of 10 (40%) payroll transactions were not adequately supported by personnel activity reports or equivalent documentation, specifically:
 - 2 of 4 instances noted above were not supported by a personnel activity report.
 - 2 of 4 instances noted above were not supported by complete personnel activity reports. Personnel activity reports did not support the total amount paid from the federal award.
- 1 of 63 (2%) expenditure transactions, the Regional Office allocated and charged costs related to administration support to the ARRA - Title I – Grants to Local Educational Agencies program solely based on budgets. No personnel activity reports were prepared or completed to support these costs nor does the Regional Office utilize a cost allocation plan.

PLAN:

The Regional Office is currently revising time sheets to insure that the time spent is properly recorded against the program they are working on and is approved by the respective project managers. A training session sponsored by the Finance Office will be held with all ROE employees and consultants to insure compliance with all of the requirements of OMB Circular A-87. A certification from employees of federal programs will be required every six months indicating they worked full time on these programs. A policy will be developed to create a cost allocation plan. As indicated in Finding 11-01, a training session for the Finance Office will be held to determine if all of the changes above meet the requirements of OMB Circular A-87.

ANTICIPATED DATE OF COMPLETION:

March 31, 2014

CONTACT PERSON:

Dr. Darlene Ruscitti, Regional Superintendent

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2011**

Corrective Action Plan

FINDING 11-05 – Inadequate controls over property and equipment

CONDITION:

The Regional Office did not have adequate controls over property and equipment. The Regional Office maintains two inventory listings, one kept by Information Technology (IT) personnel and one kept by Fiscal personnel. The Regional Office has not performed a reconciliation between the two listings. The annual physical inventory is conducted from the IT inventory listing. The inventory listings provided by the Regional Office were inaccurate and incomplete. We noted the following:

- Many items on both inventory listings did not include all information required by the ROE Accounting Manual and the Illinois State Board of Education's *State and Federal Grant Administration Policy and Fiscal Requirements and Procedures*.
- There were many inconsistencies in both inventory listings and many items lacked sufficient detailed descriptions and information for identification and/or reconciliation of items between listings.
- 2 of 25 (8%) items selected for testing from the Fiscal Department inventory listing could not be located.
- 2 of 25 (8%) items selected for testing from the Fiscal Department inventory listing we found in locations inconsistent with the location noted on the inventory listing.
- 1 of 25 (4%) tagged items selected for testing was incorrectly described in the IT inventory listing.
- The Regional Office does not have a formal process in place to track dispositions of assets.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2011**

Corrective Action Plan

FINDING 11-05 – Inadequate controls over property and equipment – continued

PLAN:

The Regional Office is currently reconciling the fixed assets inventory to reflect items over \$2,000 and include all information required by the ROE Accounting Manual and The Illinois State Board of Education's State and Federal Grant Administration Policy and Fiscal Requirements and Procedures. In addition, the Regional Office's policies and procedures for inventory are being revised to insure full compliance and include the use of the accounts payable system for fixed assets which is used to compile the list of purchases for future audits. The procedure will include all of the items in the recommendation provided by the Auditor for Finding 11-05.

ANTICIPATED DATE OF COMPLETION:

October 31, 2013

CONTACT PERSON:

Dr. Darlene Ruscitti, Regional Superintendent

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2011**

Corrective Action Plan

FINDING 11-06 – Improper application of matching principle

CONDITION:

The Regional Office did not always properly apply the matching principle. It appears the Regional Office did not properly match grant revenues to grant expenses in the prior fiscal year, resulting in revenue being recognized in the current year without having expenditures to support the revenues. However, as noted in finding 11-01, the Regional Office does not have a reporting mechanism to identify the specific expenditures that should be applied to each grant year when program grants have overlapping grant terms and are accounted for in the same trial balance. This makes the matching principle difficult to apply and calculation of any overstatement or understatement of revenue impossible to determine.

PLAN:

As indicated in the Finding 11-03 response, grant expenditures and revenue should be identified to the proper year (Ex. FY 12), thus, making it possible to apply the GAAP Matching Principle. In addition, as indicated in Finding 11-01, accounting personnel will be trained in the applicable GAAP Standards.

ANTICIPATED DATE OF COMPLETION:

March 31, 2014

CONTACT PERSON:

Dr. Darlene Ruscitti, Regional Superintendent

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
10-1	Application Controls Over Electronic Accounting System	Not Repeated

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

DuPage County Regional Office of Education No. 19 (Regional Office) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the Regional Office's financial statements, which follow.

This report will include past year financial activity, along with fiscal year 2011 activity, making comparisons of the financial position and results of operations more meaningful.

2011 FINANCIAL HIGHLIGHTS

General Fund balance increased from \$42,617 in fiscal year 2010 to \$305,593 in fiscal year 2011. General Fund revenues increased from \$659,355 to \$3,809,591 (excluding on-behalf payments), which is attributable to reclassification of funds as a result of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and an increase in General State Aid in fiscal year 2011. General Fund expenditures increased from \$630,785 to \$3,572,741 (excluding on-behalf payments) due to reclassification of funds as a result of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and an increase in payment to other governments as a result of increased General State Aid funding.

Education Fund balance increased from \$(173,399) in fiscal year 2010 to \$369,003 in fiscal year 2011. Education Fund revenues decreased from \$5,182,993 to \$3,889,010, which is attributable to reclassification of funds as a result of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and a decrease in federal funds in fiscal year 2011. Education Fund expenditures decreased from \$5,637,680 to \$3,321,791 due to reclassification of funds as a result of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and a decrease in salaries expense.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Regional Office's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the ROE as a whole and present an overall view of the Office's finances.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Reporting the DuPage County Regional Office of Education as a Whole

- The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Regional Office's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Supplementary Information further explains and supports the financial statements with a comparison of the Regional Office's detailed information for each category of funds and also provides detailed information about the non-major funds.

The Statement of Net Assets and the Statement of Activities

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

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

- Over time, increases or decreases in the net assets can be an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Regional Office's overall health, additional non-financial factors, such as new laws, rules, regulations, and actions by officials at the State level need to be considered.

Fund Financial Statements

The fund financial statements provide detailed information about the Regional Office's funds, focusing on its most significant or "major" funds. Funds are accounting devices which allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by State law. The Regional Office established other funds to control and manage money for particular purposes.

The Office has three kinds of fund classifications:

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

- 1) Governmental funds account for a majority of the Regional Office's services. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Regional Office's programs. The Regional Office's governmental funds include: the General Fund and the Special Revenue Funds.

The governmental fund's required financial statements include a Balance Sheet and a Statement of Revenue, Expenditures and Changes in Fund Balances.

- 2) Proprietary funds account for services for which the Regional Office charges fees under a cost-reimbursement method. These fees cover the costs of certain services it provides.

The proprietary fund's required financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows.

- 3) Fiduciary funds account for services for which the ROE acts as fiscal agent for individuals and private or governmental organizations.

The fiduciary funds required financial statements include a Statement of Fiduciary Net Assets.

A summary reconciliation between the government-wide financial statements and the fund financial statements are included after each fund financial statement.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The Regional Office's net assets at the end of fiscal year 2010 (as restated) totaled \$1,768,885. At the end of fiscal year 2011, the net assets were \$2,223,404. The analysis that follows provides a summary of the Regional Office's net assets at June 30, 2011 and 2010.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

**CONDENSED STATEMENT OF NET ASSETS
June 30, 2011 and 2010**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
ASSETS						
Current assets	\$ 3,321,899	\$ 2,036,101	\$ 1,584,237	\$ 1,515,539	\$ 4,906,136	\$ 3,551,640
Capital assets, net of depreciation	<u>349,507</u>	<u>398,872</u>	<u>5,128</u>	<u>11,283</u>	<u>354,635</u>	<u>410,155</u>
TOTAL ASSETS	<u>3,671,406</u>	<u>2,434,973</u>	<u>1,589,365</u>	<u>1,526,822</u>	<u>5,260,771</u>	<u>3,961,795</u>
LIABILITIES						
Current liabilities	1,420,154	605,846	119,049	142,785	1,539,203	748,631
Noncurrent liabilities	<u>27,848</u>	<u>60,742</u>	<u>-</u>	<u>-</u>	<u>27,848</u>	<u>60,742</u>
TOTAL LIABILITIES	<u>1,448,002</u>	<u>666,588</u>	<u>119,049</u>	<u>142,785</u>	<u>1,567,051</u>	<u>809,373</u>
NET ASSETS						
Investments in capital assets, net of related debt	288,765	308,509	5,128	11,283	293,893	319,792
Restricted for educational purposes	1,476,129	968,494	-	-	1,476,129	968,494
Unrestricted	<u>458,510</u>	<u>491,382</u>	<u>1,465,188</u>	<u>1,372,754</u>	<u>1,923,698</u>	<u>1,864,136</u>
TOTAL NET ASSETS	<u>\$ 2,223,404</u>	<u>\$ 1,768,385</u>	<u>\$ 1,470,316</u>	<u>\$ 1,384,037</u>	<u>\$ 3,693,720</u>	<u>\$ 3,152,422</u>

The Regional Office's net assets increased by \$561,850 from Fiscal Year 2010 to Fiscal Year 2011. This increase occurred as a result of an increase in local funds and interest income during Fiscal Year 2011. In addition, Institute Funds are restricted for teacher professional development.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

The following analysis shows the changes in net assets for the years ended June 30, 2010 and 2011.

**CHANGES IN NET ASSETS
For the Years Ended June 30, 2011 and 2010**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 19,499	\$ 293,761	\$ 1,451,885	\$ 1,594,171	\$ 1,471,384	\$ 1,887,932
Operating grants & contributions	<u>7,008,709</u>	<u>6,328,198</u>	<u>-</u>	<u>-</u>	<u>7,008,709</u>	<u>6,328,198</u>
Total Program revenues	<u>7,028,208</u>	<u>6,621,959</u>	<u>1,451,885</u>	<u>1,594,171</u>	<u>8,480,093</u>	<u>8,216,130</u>
General revenues:						
Local sources and Miscellaneous	562,815	16,197	-	-	562,815	16,197
Interest and investment income, net	695	(7,239)	6,775	22,050	7,470	14,811
Loss on disposal of capital assets	(1,214)	(71)	(2,296)	-	(3,510)	(71)
On-behalf payments - Local	<u>1,393,404</u>	<u>1,335,915</u>	<u>-</u>	<u>-</u>	<u>1,393,404</u>	<u>1,335,915</u>
Total General revenues	<u>1,955,700</u>	<u>1,344,802</u>	<u>4,479</u>	<u>22,050</u>	<u>1,960,179</u>	<u>1,366,852</u>
Total Revenues	<u>8,983,908</u>	<u>7,966,761</u>	<u>1,456,364</u>	<u>1,616,221</u>	<u>10,440,272</u>	<u>9,582,982</u>
Expenses:						
Salaries	856,969	1,406,945	153,454	246,438	1,010,423	1,653,383
Benefits	241,273	341,630	29,712	39,014	270,985	380,644
Purchased services	1,779,187	1,570,198	781,699	648,420	2,560,886	2,218,618
Supplies and materials	335,684	222,945	44,643	31,473	380,327	254,418
Capital expenditures	-	8,307	416	-	416	8,307
Depreciation	136,798	180,451	3,859	1,068	140,657	181,519
Transfers-payments to other governmental units	3,785,574	2,920,377	335,750	463,225	4,121,324	3,383,602
On-behalf payments - Local	<u>1,393,404</u>	<u>1,335,915</u>	<u>-</u>	<u>-</u>	<u>1,393,404</u>	<u>1,335,915</u>
Total expenses	<u>8,528,889</u>	<u>7,986,768</u>	<u>1,349,533</u>	<u>1,429,638</u>	<u>9,878,422</u>	<u>9,416,406</u>
Revenue over (under) expenditures	455,019	(20,007)	106,831	186,533	561,850	166,576
Other financing sources (uses)						
Transfers	<u>(500)</u>	<u>4,699</u>	<u>500</u>	<u>(4,699)</u>	<u>-</u>	<u>-</u>
Change in net assets	454,519	(15,308)	107,331	181,884	561,850	166,576
Net Assets – beginning - reclassified	1,768,885	1,783,693	1,383,537	1,202,153	3,152,422	2,985,846
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(20,552)</u>	<u>-</u>	<u>(20,552)</u>	<u>-</u>
Net Assets – beginning – restated	<u>1,768,885</u>	<u>1,783,693</u>	<u>1,362,985</u>	<u>1,202,153</u>	<u>3,131,870</u>	<u>2,985,846</u>
Net Assets – ending	<u>\$ 2,223,404</u>	<u>\$ 1,768,385</u>	<u>\$ 1,470,316</u>	<u>\$ 1,384,037</u>	<u>\$ 3,693,720</u>	<u>\$3,152,422</u>

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Governmental Activities

Revenues for governmental activities were \$8,983,908 and expenses were \$8,528,889. The net increase in revenues of \$1,017,147 was primarily due to the increase in State General State Aid funding and an increase in fees paid by local school districts in fiscal year 2011.

Business-Type Activities

Revenues and expenses for the Regional Office's business-type activities decreased from the prior fiscal year due to a decrease in the number of workshops offered during fiscal year 2011.

Financial Analysis of the Regional Office of Education No. 19 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 \$1,776,643 below last year's ending fund balance (reclassified) of \$977,241. The primary reason for the increase in combined fund balances in fiscal year 2011 were due to an increase in State funding and recognition of deferred revenue resulting from delays in receiving grant funds from the Illinois State Board of Education at the end of Fiscal Year 2010.

Governmental Fund Highlights

- The Regional Office had an increase in grant funds received from the Illinois State Board of Education at the end of Fiscal Year 2011.

Budgetary Highlights

The Regional Office annually adopts program budgets on a basis consistent with U.S. generally accepted accounting principles. The Illinois State Board of Education reviews the proposed budgets and either grants approval or returns them without approval with comments. Any unapproved budget must be resubmitted to the Illinois State Board of Education for final approval. The budgets may be amended during the year utilizing procedures prescribed by the Illinois State Board of Education.

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Capital Assets

Capital Assets of the Regional Office include office equipment, computers, audio-visual equipment, and office furniture. The ROE has not maintained complete and accurate records to support capital asset amounts previously recorded in governmental and business-type activities. The total amount of capital assets is currently not determinable.

Economic Factors And Next Year's Budget

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

- The State of Illinois Foundation level remained constant at \$6,119 per student payable in 2011-2012.
- The interest rate on investments remains low and will impact interest earned.
- Several grants have had their funding levels reduced for the coming year.
- The number of students served by the Regional Office is expected to remain constant.

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 DuPage County Regional Office of Education No. 19 at 421 North County Farm Road, Wheaton, Illinois 60187-3999.

BASIC FINANCIAL STATEMENTS

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,743,743	\$ 1,529,681	\$ 3,273,424
Due from other governments	1,578,544	54,168	1,632,712
Due from/to other funds	(388)	388	-
Total current assets	3,321,899	1,584,237	4,906,136
NONCURRENT ASSETS			
Capital assets, net of depreciation	349,507	5,128	354,635
TOTAL ASSETS	3,671,406	1,589,365	5,260,771
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	10,502	21,586	32,088
Due to other governments	1,289,121	3,600	1,292,721
Deferred revenue	-	91,472	91,472
Accrued wages	87,637	2,391	90,028
Current portion of capital lease payable	32,894	-	32,894
Total current liabilities	1,420,154	119,049	1,539,203
NONCURRENT LIABILITIES			
Capital lease payable, noncurrent portion	27,848	-	27,848
TOTAL LIABILITIES	1,448,002	119,049	1,567,051
NET ASSETS			
Invested in capital assets, net of related debt	288,765	5,128	293,893
Restricted for educational purposes	1,476,129	-	1,476,129
Unrestricted	458,510	1,465,188	1,923,698
TOTAL NET ASSETS	\$ 2,223,404	\$ 1,470,316	\$ 3,693,720

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

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT						
Governmental Activities:						
Instructional Services:						
Salaries	\$ 856,969	\$ -	\$ 850,415	\$ (6,554)	\$ -	\$ (6,554)
Benefits	241,273	-	248,778	7,505	-	7,505
Purchased services	1,779,187	16,478	1,851,764	89,055	-	89,055
Supplies and materials	335,684	3,021	336,101	3,438	-	3,438
Depreciation	136,798	-	-	(136,798)	-	(136,798)
Transfers - payments to other governmental units	3,785,574	-	3,721,651	(63,923)	-	(63,923)
Administrative:						
On-behalf payments	1,393,404	-	-	(1,393,404)	-	(1,393,404)
Total Governmental Activities	<u>8,528,889</u>	<u>19,499</u>	<u>7,008,709</u>	<u>(1,500,681)</u>	<u>-</u>	<u>(1,500,681)</u>
Business-type Activities:						
Other	1,349,533	1,451,885	-	-	102,352	102,352
Total Business-type Activities	<u>1,349,533</u>	<u>1,451,885</u>	<u>-</u>	<u>-</u>	<u>102,352</u>	<u>102,352</u>
Total Primary Government	<u>\$ 9,878,422</u>	<u>\$ 1,471,384</u>	<u>\$ 7,008,709</u>	<u>(1,500,681)</u>	<u>102,352</u>	<u>(1,398,329)</u>
			General Revenues:			
			Local sources	562,815	-	562,815
			On-behalf payments	1,393,404	-	1,393,404
			Investment income	695	6,775	7,470
			Loss on disposal of capital assets	(1,214)	(2,296)	(3,510)
			Transfers	(500)	500	-
			Total General Revenues	<u>1,955,200</u>	<u>4,979</u>	<u>1,960,179</u>
			Change in net assets	454,519	107,331	561,850
			Net Assets - beginning - reclassified	1,768,885	1,383,537	3,152,422
			Prior period adjustment	-	(20,552)	(20,552)
			Net Assets - beginning - restated	<u>1,768,885</u>	<u>1,362,985</u>	<u>3,131,870</u>
			Net Assets - ending	<u>\$ 2,223,404</u>	<u>\$ 1,470,316</u>	<u>\$ 3,693,720</u>

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

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2011

	General Fund	Institute Fund	Education Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 505,616	\$ 970,250	\$ 118,465	\$ 149,412	\$ 1,743,743
Due from other governments	-	-	1,578,544	-	1,578,544
Due from other funds	236,216	458	794,245	-	1,030,919
TOTAL ASSETS	\$ 741,832	\$ 970,708	\$ 2,491,254	\$ 149,412	\$ 4,353,206
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable and accrued expenses	\$ -	\$ 4,800	\$ 5,702	\$ -	\$ 10,502
Due to other governments	418,828	8,109	862,184	-	1,289,121
Due to other funds	258	5,164	1,025,885	-	1,031,307
Deferred revenue	-	-	157,996	-	157,996
Accrued wages	17,153	-	70,484	-	87,637
Total liabilities	436,239	18,073	2,122,251	-	2,576,563
FUND BALANCE					
Restricted	-	952,635	440,899	-	1,393,534
Assigned	152,006	-	3,505	149,412	304,923
Unassigned	153,587	-	(75,401)	-	78,186
Total fund balance	305,593	952,635	369,003	149,412	1,776,643
TOTAL LIABILITIES AND FUND BALANCE	\$ 741,832	\$ 970,708	\$ 2,491,254	\$ 149,412	\$ 4,353,206

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

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2011**

Total fund balances - governmental funds		\$ 1,776,643
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		349,507
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		157,996
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Capital lease payable		<u>(60,742)</u>
Net assets of governmental activities		<u><u>\$ 2,223,404</u></u>

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

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the Year Ended June 30, 2011

	General Fund	Institute Fund	Education Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
REVENUES					
Local sources	\$ 151,065	\$ 194,298	\$ 217,452	\$ 19,499	\$ 582,314
State sources	3,658,526	-	2,239,775	3,764	5,902,065
Federal sources	-	-	1,431,783	-	1,431,783
Interest income	-	695	-	-	695
On-behalf payments	1,393,404	-	-	-	1,393,404
Total revenues	5,202,995	194,993	3,889,010	23,263	9,310,261
EXPENDITURES					
Instructional services:					
Salaries	170,947	-	686,022	-	856,969
Benefits	36,239	-	205,034	-	241,273
Purchased services	252,881	66,835	1,477,885	11,207	1,808,808
Supplies and materials	33,246	16,222	283,126	364	332,958
Transfers - payments to other governmental units	3,076,752	50,640	658,182	-	3,785,574
On-behalf payments	1,393,404	-	-	-	1,393,404
Capital outlay	2,676	77,155	11,542	-	91,373
Total expenditures	4,966,145	210,852	3,321,791	11,571	8,510,359
Revenues over (under) expenditures	236,850	(15,859)	567,219	11,692	799,902
Other financing sources (uses)					
Transfers in	116,759	-	-	-	116,759
Transfers out	(111,759)	-	(5,500)	-	(117,259)
Total other financing sources (uses)	5,000	-	(5,500)	-	(500)
Net change in fund balances	241,850	(15,859)	561,719	11,692	799,402
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	63,743	968,494	(192,716)	137,720	977,241
FUND BALANCE, END OF YEAR	<u>\$ 305,593</u>	<u>\$ 952,635</u>	<u>\$ 369,003</u>	<u>\$ 149,412</u>	<u>\$ 1,776,643</u>

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

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011**

Net change in fund balances		\$ 799,402
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$ 88,647	
Depreciation expense	<u>(136,798)</u>	(48,151)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to increase/decrease net assets:		
Disposals of capital assets		(1,214)
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Reduction of fund deferred revenue		(325,139)
The issuance of long-term debt (e.g. leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:		
Repayment of capital lease payable		<u>29,621</u>
Change in net assets of governmental activities		<u>\$ 454,519</u>

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

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2011

	<u>Business Type Activities - Enterprise Funds</u>			<u>Total</u>
	<u>Teacher Inservice for DuPage Educators</u>	<u>Local Services</u>	<u>Nonmajor Proprietary Funds</u>	
Assets				
Current assets				
Cash and cash equivalents	\$ 255,104	\$ 1,274,577	\$ -	\$ 1,529,681
Due from other governments	-	54,168	-	54,168
Due from other funds	4,969	-	4,964	9,933
Total current assets	<u>260,073</u>	<u>1,328,745</u>	<u>4,964</u>	<u>1,593,782</u>
Noncurrent assets:				
Capital assets, net	-	5,128	-	5,128
Total Assets	<u>260,073</u>	<u>1,333,873</u>	<u>4,964</u>	<u>1,598,910</u>
Liabilities				
Accounts payable and accrued expenses	4,000	17,586	-	21,586
Due to other governments	3,600	-	-	3,600
Due to other funds	4,776	4,769	-	9,545
Deferred revenue	86,260	5,212	-	91,472
Accrued wages	-	2,391	-	2,391
Total Liabilities	<u>98,636</u>	<u>29,958</u>	<u>-</u>	<u>128,594</u>
Net Assets				
Invested in capital assets, net of related debt	-	5,128	-	5,128
Unrestricted	161,437	1,298,787	4,964	1,465,188
Total Net Assets	<u>\$ 161,437</u>	<u>1,303,915</u>	<u>\$ 4,964</u>	<u>\$ 1,470,316</u>

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

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2011

	<u>Business Type Activities - Enterprise Funds</u>			<u>Total</u>
	<u>Teacher Inservice for DuPage Educators</u>	<u>Local Services</u>	<u>Nonmajor Proprietary Funds</u>	
Operating revenues				
Fees and charges for service	\$ 393,518	\$ 1,009,061	\$ 49,306	\$ 1,451,885
Total operating revenues	<u>393,518</u>	<u>1,009,061</u>	<u>49,306</u>	<u>1,451,885</u>
Operating expenses				
Salaries	-	153,454	-	153,454
Benefits	4,774	24,938	-	29,712
Purchased services	117,868	602,932	60,899	781,699
Supplies and materials	4,743	39,900	-	44,643
Capital outlay	416	-	-	416
Depreciation	-	3,859	-	3,859
Transfers - payments to other governmental units	335,750	-	-	335,750
Total operating expenses	<u>463,551</u>	<u>825,083</u>	<u>60,899</u>	<u>1,349,533</u>
Operating income (loss)	<u>(70,033)</u>	<u>183,978</u>	<u>(11,593)</u>	<u>102,352</u>
Nonoperating revenues (expenses)				
Investment income	24	6,751	-	6,775
Loss on disposal of capital assets	-	(173)	(2,123)	(2,296)
Total nonoperating revenues (expenses)	<u>24</u>	<u>6,578</u>	<u>(2,123)</u>	<u>4,479</u>
Change in net assets before transfers	(70,009)	190,556	(13,716)	106,831
Transfers in	-	500	-	500
Total transfers	<u>-</u>	<u>500</u>	<u>-</u>	<u>500</u>
Changes in net assets	(70,009)	191,056	(13,716)	107,331
Net Assets, beginning of year, as reclassified	231,446	1,133,411	18,680	1,383,537
Prior period adjustment	-	(20,552)	-	(20,552)
Net Assets, beginning of year, restated	<u>231,446</u>	<u>1,112,859</u>	<u>18,680</u>	<u>1,362,985</u>
Net Assets, end of year	<u>\$ 161,437</u>	<u>\$ 1,303,915</u>	<u>\$ 4,964</u>	<u>\$ 1,470,316</u>

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

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2011

	<u>Business Type Activities - Enterprise Funds</u>			<u>Total</u>
	<u>Teacher Inservice for DuPage Educators</u>	<u>Local Services</u>	<u>Nonmajor Proprietary Funds</u>	
Cash Flows from Operating Activities:				
Receipts for workshops and services	\$ 369,648	\$ 1,020,049	\$ 65,746	\$ 1,455,443
Payments to suppliers and providers of goods and services	(451,177)	(676,062)	(60,899)	(1,188,138)
Payments to employees	(4,774)	(178,392)	-	(183,166)
Net cash provided by (used in) operating activities	<u>(86,303)</u>	<u>165,595</u>	<u>4,847</u>	<u>84,139</u>
Cash Flows from Noncapital Financing Activities:				
Payments to interfund accounts	(4,969)	-	(4,847)	(9,816)
Proceeds from interfund accounts	4,776	1,048,932	-	1,053,708
Net cash from noncapital financing activities	<u>(193)</u>	<u>1,048,932</u>	<u>(4,847)</u>	<u>1,043,892</u>
Cash Flows from Investing Activities:				
Interest and investment income	24	6,751	-	6,775
Net cash provided by investing activities	<u>24</u>	<u>6,751</u>	<u>-</u>	<u>6,775</u>
Net change in cash and cash equivalents	(86,472)	1,221,278	-	1,134,806
Cash and cash equivalents - Beginning of year	<u>341,576</u>	<u>53,299</u>	<u>-</u>	<u>394,875</u>
Cash and cash equivalents - End of year	<u>\$ 255,104</u>	<u>\$ 1,274,577</u>	<u>\$ -</u>	<u>\$ 1,529,681</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (70,033)	\$ 183,978	\$ (11,593)	\$ 102,352
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	3,859	-	3,859
(Increase)/decrease in assets:				
Due from other governments	-	5,776	16,440	22,216
Increase/(decrease) in liabilities:				
Accounts payable and accrued expenses	7,600	(33,230)	-	(25,630)
Deferred revenues	(23,870)	5,212	-	(18,658)
Net cash provided by (used in) operating activities	<u>\$ (86,303)</u>	<u>\$ 165,595</u>	<u>\$ 4,847</u>	<u>\$ 84,139</u>
Schedule of noncash items:				
Capital and related financing activities:				
Loss on disposal of capital assets	\$ -	\$ (173)	\$ (2,123)	\$ (2,296)

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

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 23,533</u>
TOTAL ASSETS	<u><u>\$ 23,533</u></u>
LIABILITIES	
Due to other governments	<u>23,533</u>
TOTAL LIABILITIES	<u><u>\$ 23,533</u></u>

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

**DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the DuPage County Regional Office of Education No. 19 (ROE) substantially comply with the rules prescribed by the Illinois State Board of Education (ISBE). These accounting policies conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

A. Reporting Entity

The ROE operates under the School Code (Articles 5/3 and 5/3A of *Illinois Compiled Statutes*, Chapter 105). The ROE encompasses DuPage County. The Regional Superintendent of Schools (Regional Superintendent) serves as chief administrative officer of the ROE and is elected pursuant to Article 3, *Illinois Compiled Statutes*, Chapter 105. The principal financial duty of the Regional Superintendent is to receive and distribute monies due to school districts from general state aid, state categorical grants, and various other sources.

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

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education No. 19 districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
NOTES TO FINANCIAL STATEMENTS – Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity – Continued

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

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

For the period ended June 30, 2011, the ROE applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in Regional Office of Education No. 19.

The ROE also acts as the administrative agent for the DuPage Career Education Center (a joint agreement). As administrative agent, the ROE is responsible for the receipt and distribution of the entities' funding, as well as all necessary reporting requirements for the Illinois State Board of Education and other granting agencies.

The ROE reporting entity includes all related organizations for which they exercise oversight responsibility.

These are the only activities considered to be part of (controlled by or dependent on) the ROE, as determined by the application of the criteria set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. The criteria for inclusion of an entity include, but are not limited to, legal standing, fiscal dependency, imposition of will, and potential for financial benefit or burden.

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

DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
NOTES TO FINANCIAL STATEMENTS – Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity – Continued

Based on this criteria, the expenditures paid through the funds of DuPage County, for operation of the ROE, are not included in the reporting entity since it is the county board that authorizes, oversees, and controls these expenditures.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities are supported by intergovernmental revenues and are reported separate from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

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 funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and reported in a single column.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation –
Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay current liabilities. The ROE considers revenues to be available if they are collected within 60 days of the end of the current fiscal 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 generally are recorded when a liability is incurred, as under accrual accounting.

Revenues from local sources consist primarily of fees charged to school districts for services rendered by the ROE. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Grant funds from the State of Illinois are considered to be earned to the extent of expenditures made under the provisions of the grant. Investment earnings are recorded as earned since they are measurable and available.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Fiduciary Fund types are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. Fiduciary funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus of accounting.

When both restricted and unrestricted resources are available for use, it is the ROE's policy to use restricted resources first, then unrestricted resources as they are needed. For unrestricted fund balances, assigned funds are used first, then unassigned, if any.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

The ROE 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 for in another fund. The ROE's General Fund accounts include the following:

- Reading First - This program is designed to provide professional development for teachers in schools participating in the Reading First program.
- ROE Operations – Used to accumulate miscellaneous receipts used to support the day to day expenses of the ROE, including General State Aid.
- Regional Safe Schools and General State Aid – These funds provide programs for disruptive students who are eligible for suspension or expulsion. The programs provide individually designed curriculum, social skills training, career exploration and work experience opportunities, and opportunities to work toward re-entry into the traditional programs, if appropriate.
- Area I – This revenue is received from local sources and used for expenses incurred for area I programs.
- Truants Minors in Need of Supervision Program (TMINS) – These funds provide programs for one of the Alternative Learning Opportunities Programs (ALOP) that provides an alternative learning environment and includes individualized instruction, small classes and counseling sessions.

Special Revenue Funds – Accounts for and reports the proceeds of specific revenue sources (other than expendable trusts) that are restricted to expenditures for specified purposes. The ROE reported the following special revenue funds as major governmental funds:

- Institute Fund – This fund accounts for fees collected for the registration and renewal of teaching certificates. These fees are used to defray administrative expenses incidental to teachers' institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers or for the purpose of defraying the expense of any general or special meeting of teachers or school personnel, which has been approved by the ROE. All funds generated remain restricted until expensed only on the aforementioned activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

- Education – Accounts for grants from the following sources:
 - Regional Safe Schools – These grant funds provide programs for disruptive students who are eligible for suspension or expulsion. The programs provide individually designed curriculum, social skills training, career exploration and work experience opportunities, and opportunities to work toward re-entry into the traditional programs, if appropriate.
 - Early Childhood Parenting Program – Accounts for monies received for, and payment of, expenditures for developing and operating programs for parents of young children.
 - Truants' Alternative Program – Accounts for grant monies received for, and payment of, expenditures of providing support services and evaluating compliance with recommendations to DuPage County Truants and their parents.
 - McKinney Education for Homeless Children – This grant provides funds for providing information to schools, community members and government entities about the educational rights of homeless students.
 - Workforce Investment Act – These funds provide programs for the Workforce Investment Act.
 - System of Support (RESPRO) – Grant monies in this fund are used to provide professional development activities to schools that are on Illinois' Academic Watch List. To be on the list, students in the buildings have not made Adequate Yearly Progress for at least two years. The funding sources for this grant are Title I, Title II, and State appropriated monies.
 - Technology for Success – These funds provide a coordinated, statewide support infrastructure which assists school districts in planning for, implementing, assessing results and educating staff in the use of technology and telecommunications in curricular, instructional and administrative functions.
 - National Board Professional Preparation and Teacher Support System – This program provides for the training and professional development for teachers to earn their national board certification.
 - Social Emotional Learning Standards Professional Development Program (SEL-PDP) – This program provides training and technical assistance to incorporate social-emotional learning standards into daily instructions.
 - Preschool for All – These funds are utilized for providing comprehensive monitoring and technical assistance services to Preschool for All programs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation –
Continued

- Reading Improvement – These funds are utilized to provide training for new Reading Recovery teachers and provide opportunities for ongoing professional development for both teachers and teach-leaders.
- Illinois New Principal Mentoring – These funds are intended to help support the State-wide program to ensure that every new principal in Illinois receives a high-quality mentoring experience that focuses on professional development experiences and enhances a new principal's leadership. In this program, new leaders receive mentoring from proven, trained mentors who are paired with new principals based on geography, grade level, and need.
- Teacher Mentoring Pilot Program – These funds are intended to help support the State-wide new teacher mentoring program that includes assigning a mentor teacher to each new teacher for a period of two years and providing professional development designed to ensure the growth of the new teachers' knowledge and skills.
- Gifted Education – These funds provide for professional learning opportunities in the area of gifted children. A series of modules, each created for a specific purpose, was offered to assist educators in their efforts to support the social/emotional health and development of student of high potential, address their diverse needs, and facilitate at least a year's achievement of growth and development.
- Career Tech Ed – These funds assist to develop the academic and career and technical skills of secondary education students and postsecondary education students who elect to enroll in career and technical education programs.
- ROE/ISC Operations – Monies received from local and State sources to help support the day to day operating expenses of the ROE.
- School Improvement – Federal funds used to work with first and second year schools in improvement status, to assist in data analysis, and support the implementation interventions of effective practices to improve student achievement.
- Response to Intervention – These funds provide for redesigned and established teaching and learning environments that are effective, efficient, relevant, and durable for all students, families and educators.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Nonmajor Special Revenue Funds – All other special revenue funds not classified under Education Fund are grouped under this fund for financial statement presentation.

- General Education Development (GED) – These funds are provided for the processing of applications for the high school level Test of General Educational Development and the issuance of diplomas upon the successful completion of the examination. Statutes require excess funds accumulated for periods exceeding three years be transferred into the Institute Fund.
- Bus Driver Training – These funds are collected from the issuance of school bus driver permits and are used to sponsor instructional training courses for school bus drivers.
- Supervisory – These funds are an annual appropriation of State common school funds for the expenses incurred in providing supervisory services.

Proprietary Funds

Proprietary funds account for activities whose costs are funded by fees and charges. These fees and charges are paid by external users for goods or services. The ROE reported the following proprietary funds as major funds:

- Teacher Inservice for DuPage Educators (TIDE) – This program is used for graduate courses offered to DuPage educators and administrators.
- Local Services – These funds are associated with workshops conducted by the ROE. In addition, this fund accounts for the revenues and expenses of the Administrator’s Academy and Gifted Planning Activities.

Non Major Proprietary Funds

The ROE reported the following proprietary fund as nonmajor:

- Criminal Background Investigation – These funds are used to account for the assessments received from the school district to pay for the processing of fingerprinting the substitute teachers and expenditures incurred providing the service to the school districts.

DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
NOTES TO FINANCIAL STATEMENTS – Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Fiduciary

Agency Funds – Fiduciary funds account for assets held by the ROE in a trustee or agency capacity. Agency funds are custodial in nature and do not involve measurement of results of operations. The ROE utilizes the following agency funds:

- DuPage Career Education Center (DCEC) – DCEC is a cooperative of school districts, providing support services for career education programs for kindergarten through the eighth grade. DCEC provides staff-in-service, a community resource files, an audio-visual collection and a library of professional materials for teachers classroom use, and coordinates the DuPage County Business Education Partnership program. The program is funded through the ISBE, Division of Adult Vocational and Technical Education.

D. Revenues – Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

Nonexchange transaction, in which the ROE receives value without directly giving value in return, includes grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the ROE must provide local resources to be used for specific purpose, and expenditure requirements, in which the resources are provided to the ROE on a reimbursement basis. On a modified basis, revenue from non-exchange transactions must be available before it can be recognized.

E. Cash and Cash Equivalents

Cash consists of demand deposits. The ROE considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

DUPAGE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 19
 NOTES TO FINANCIAL STATEMENTS – Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

F. Investments

Investments are stated at fair value using quoted market prices at June 30, 2011.

G. Due From Other Governments

Due from other governmental units and agencies is reported at gross with no allowance for uncollectibles since management believes the amount of any uncollectible accounts is immaterial.

H. Capital Assets

Capital assets, which include buildings and furniture and equipment, are reported in the applicable governmental column in the government-wide financial statements.

General capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The ROE records all capital items, which are individually greater than \$500, with a useful life of greater than one year, as capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture and equipment	5-20

The ROE has omitted certain capital assets from the statements of net assets; therefore, the government-wide and proprietary fund financial statements do not present fairly in accordance with generally accepted accounting principles for the governmental activities, business-type activities, and proprietary fund financial statements for the year then ended June 30, 2011.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I. Equity

In the government-wide financial statements equity is displayed in three components:

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

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

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

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 – the portion of a Governmental Fund’s fund balance that is not available to be spent, either short term or long term, in either form or through legal restrictions. There are no accounts presenting a nonspendable fund balance.

Restricted – the portion of a Governmental Fund’s fund balance that is subject to external enforceable legal restrictions. The following accounts fund balances are restricted by grant agreements or contracts: Institute Fund, Regional Safe Schools, Early Childhood Parenting Program, System of Support (RESPRO), Technology for Success, Social Emotional Learning Standards Professional Development Program (SEL-PDP), Illinois New Principal Mentoring, Teacher Mentoring Pilot Program, ROE/ISC Operations, General Education Development, Bus Driver Training, and Supervisory.

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

DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
NOTES TO FINANCIAL STATEMENTS – Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I. Fund Equity – Continued

Assigned – the portion of a Governmental Fund’s fund balance to denote an intended use of resources. The accounts presented with assigned fund balance are specified for a particular purpose by the Regional Superintendent. The following accounts comprise assigned fund balance:

- Regional Safe Schools & General State Aid – assigned for programs for disruptive students who are eligible for suspension or expulsion.
- Area I – assigned for Area I program expenses.
- Truant Minors in Need of Supervision (TMINS) – assigned to operate, maintain, and support an alternative learning environment.
- Early Childhood Parenting Program - assigned for developing and operating programs for parents of young children.
- School Improvement – assigned for implementation interventions of effective practices to improve student achievement.

Unassigned – available expendable financial resources in a Governmental Fund that are not designated for a specified purpose. The unassigned fund balance is made up of the following accounts: Reading First, ROE Operations, Truants’ Alternative Program, McKinney Education for Homeless, Workforce Investment Act, National Board Professional Preparation and Teacher Support System, Preschool for All, Reading Improvement, Gifted Education, Career Tech Ed, and Response to Intervention.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, gains, losses, and other changes in fund balance during the reporting period. Actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

K. Budgetary Data

The ROE did not formally adopt a budget for the year ended June 30, 2011 and is not legally required to do so. The Illinois State Board of Education requires budgets for certain State and federal programs. These budgets were used to prepare Budgetary Comparison Schedules for the following programs:

Special Revenue Funds:

- Education Fund:
 - Regional Safe Schools
 - Early Childhood Parenting Program
 - Truants' Alternative Program
 - Technology for Success
 - Teacher Mentoring Pilot Program
 - Career Tech Ed
 - ROE/ISC Operations
 - School Improvement

L. New Accounting Pronouncements

The GASB has issued the following pronouncements effective for the ROE's fiscal year ending June 30, 2011.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes a hierarchy of fund balance classifications based primarily on the extent to which a government is bound to observe spending constraints upon how resources reported in governmental funds may be used, thereby improving this information by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types.

GASB Statement No. 59, *Financial Instruments Omnibus*, which is intended to improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement provides more complete information, by improving consistency of measurements, and provides clarifications of existing standards. This standard had no effect on the ROE's financial statements.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

L. New Accounting Pronouncements – Continued

local governments so that they derive from a single source. This Statement intends to provide more consistent application of applicable guidance in financial statements of state and local governments. This standard had no effect on the ROE's financial statements.

2. DEPOSITS AND INVESTMENTS

The *Illinois Compiled Statutes* authorize the ROE to invest in U.S. Government, State of Illinois, and municipal securities; certificates of deposit or time savings deposits insured by the FDIC; mortgage notes, bonds, or debentures issued by the Federal Housing Administration; bonds and other obligations of the Federal National Mortgage Association; commercial paper rated within the three highest classifications by at least two standard rating services; credit union shares; and the Illinois Funds.

Bank Deposits

Custodial Credit Risk - Custodial credit risk for deposits with financial institutions is the risk that, in the event of bank failure, the ROE's deposits may not be returned to it. The ROE does not have a formal investment policy to guard against custodial credit risk for deposits with financial institutions.

Investments

The ROE does not have a formal investment policy but requires funds to be invested solely in investments authorized by the Public Funds Investment Act, 30 ILCS 235/2.

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the ROE will not be able to recover the value of its investments that are in possession of an outside party.

Interest Rate Risk – The interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of the investment, the greater the sensitivity of its fair value to changes in market interest rates. The ROE's policy for reducing its exposure to the risk is to structure the ROE's portfolio so that securities mature to meet the ROE's cash requirements for ongoing operations. As of June 30, 2011, all of the ROE's investments have investment maturities of less than three months.

DUPAGE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 19
 NOTES TO FINANCIAL STATEMENTS – Continued

2. DEPOSITS AND INVESTMENTS – Continued

Investments – Continued

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

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The ROE’s policy for managing its exposure to the risk is to limit investments to those allowable by the Illinois Public Funds Investment Act. As of June 30, 2011, the ROE’s investments in repurchase agreement, money market funds and the Illinois Funds investment pool were rated AAA, AAA, and AAAM, respectively, using the Standard and Poor’s rating scale.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single user. The ROE does not have a policy that specifically addresses concentration of risk. As of June 30, 2011, the ROE had approximately 70% of its investment portfolio in repurchase agreements with a local bank that was fully collateralized by U.S. agency obligations. The investment in money market funds, which is 11% of total investments, consists only of short-term U.S. Treasury securities. The investment in the Illinois Funds investment pool is subject to the Illinois Fund’s investment policy, which limits investment categories to not exceed 25% of the portfolio, with the exception of cash equivalents and U.S. Treasury securities.

3. CAPITAL ASSETS

Governmental Activities

Capital asset activity for the year ended June 30, 2011 is as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Furniture and equipment	\$ 1,325,521	\$ 88,647	\$ 39,793	\$ 1,374,375
Building improvement	104,507	-	-	104,507
Total capital assets	<u>1,430,028</u>	<u>88,647</u>	<u>39,793</u>	<u>1,478,882</u>
Less accumulated depreciation:	<u>1,031,156</u>	<u>136,798</u>	<u>38,579</u>	<u>1,129,375</u>
Total capital assets, net of accumulated depreciation	<u>\$ 398,872</u>	<u>\$ (48,151)</u>	<u>\$ 1,214</u>	<u>\$ 349,507</u>

Depreciation was charged to the Instructional Services activity.

DUPAGE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 19
 NOTES TO FINANCIAL STATEMENTS – Continued

3. CAPITAL ASSETS - Continued

Proprietary Funds

Capital asset activity for the year ended June 30, 2011 is as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Equipment	\$ 28,001	\$ -	\$ 10,851	\$ 17,150
Less accumulated depreciation:	16,718	3,859	8,555	12,022
Total capital assets, net of accumulated depreciation	<u>\$ 11,283</u>	<u>\$ (3,859)</u>	<u>\$ 2,296</u>	<u>\$ 5,128</u>

Depreciation was charged to the other activity.

The ROE has not maintained complete and accurate records to support capital asset amounts previously recorded in governmental and business-type activities. The total amount of capital assets is currently not determinable.

4. LEASE COMMITMENTS

A. Capital Leases

The ROE has entered into a lease agreement as lessee for financing the acquisition of its copiers. These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the capital assets account.

The present value of future minimum lease payments and total minimum annual lease payments for capital leases recorded in the government-wide statement of net assets at June 30, 2011 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2012	\$ 38,709
2013	21,869
2014	7,379
Total minimum lease payment	<u>67,957</u>
Less: amount representing interest	7,215
Present value of minimum lease payment	<u>\$ 60,742</u>

Assets under capital lease amounted to \$144,536, and the related accumulated depreciation amounted to \$92,137.

DUPAGE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 19
 NOTES TO FINANCIAL STATEMENTS – Continued

4. LEASE COMMITMENTS - Continued

B. Operating Leases

The ROE leases office space for its Lombard and Addison operations. The agreements provide for a renewal option to extend up to June 30, 2015, and annual increases in future minimum lease payments do not exceed 5%. Also, the agreements generally require the ROE to pay executor costs. Rental expense for the year ended June 30, 2011 was \$194,983.

At June 30, 2011 future minimum payments under noncancelable operating leases with remaining terms in excess of one year were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2012	\$ 196,419
2013	196,419
2014	101,062
2015	101,062
Total	<u>\$ 594,962</u>

5. EMPLOYEE'S RETIREMENT PLANS

The Regional Office of Education No. 19 participates in the Teachers' Retirement System of the State of Illinois. TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the City of Chicago. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains the primary responsibility for funding the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration. TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2011 was 9.4 percent of creditable earnings. The same contribution rate applies to members whose first contribution service is on or after January 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4 percent for the years ended June 30, 2010 and 2009.

DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
NOTES TO FINANCIAL STATEMENTS – Continued

5. EMPLOYEE'S RETIREMENT PLANS – Continued

The State of Illinois makes contributions directly to TRS on behalf of the ROE's TRS-covered employees:

- On Behalf Contributions
The State of Illinois makes employer pension contributions on behalf of the ROE. For the year ended June 30, 2011, State of Illinois contributions were based on 23.10 percent of creditable earnings not paid from federal funds, and the ROE recognized revenue and expenditures of \$167,816 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2010 and June 30, 2009, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 23.38 percent (\$274,185) and 17.08 percent (\$190,747), respectively.

The ROE makes other types of employer contributions directly to TRS:

- 2.2 Formula Contributions
Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2011 were \$3,103. Contributions for the years ending June 30, 2010 and June 30, 2009 were \$5,676 and \$6,477, respectively.
- Federal and Special Trust Fund Contributions
When TRS members are paid from federal and special trust funds administered by the ROE, there is a statutory requirement for the ROE to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective for the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the State contribution rate to TRS.

For the year ended June 30, 2011, the employer pension contribution was 23.10 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2010 and 2009, the employer pension contribution was 23.38 and 17.08 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2011, salaries totaling \$110,469 were paid from federal and special trust funds that required employer contributions of \$25,518. For the years ended June 30, 2010 and June 30, 2009, required ROE contributions were \$37,201 and \$21,232, respectively.

5. EMPLOYEE'S RETIREMENT PLANS - Continued

- Early Retirement Option (ERO)

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

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

For the year ended June 30, 2011, the ROE paid no amounts to TRS for employer contributions under the ERO program. For the years ended June 30, 2010 and June 30, 2009, the ROE paid \$0 and \$16,148 in employer ERO contributions, respectively.

New Employer Contributions –

Public Act 94-0004 added two additional employer contributions to TRS.

- Salary increases over 6 percent

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

For the year ended June 30, 2011, the ROE paid \$0 to TRS for employer contributions due on salary increases in excess of 6 percent. For the year ended June 30, 2010 and June 30, 2009, the ROE paid no amounts to TRS for employer contributions due on salary increases in excess of 6 percent, respectively.

- Sick leave in excess of normal allotment

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary used to calculate final average salary, and the TRS total normal cost rate (18.03 percent of pay during the year ended June 30, 2011, as recertified pursuant to Public Act 96-1511).

For the year ended June 30, 2011, the ROE paid no amounts to TRS for sick leave days granted in excess of the normal annual allotment. For the years ended June 30, 2010 and June 30, 2009, the ROE paid no amounts in employer contributions granted for sick leave days, respectively.

DUPAGE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 19
 NOTES TO FINANCIAL STATEMENTS – Continued

5. EMPLOYEE’S RETIREMENT PLANS - Continued

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer, and State funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2010. The report for the year ended June 30, 2011, is expected to be available in late 2011. The reports may be obtained by writing to the Teachers’ Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, Illinois 62794-9253. The most current report is also available on the TRS Web site at trs.illinois.gov.

6. INTERFUND RECEIVABLES/PAYABLES

Funds periodically borrow from other funds to cover temporary cash shortages. These loans are usually paid in full within a few months. No interest is charged on the loans outstanding. Following is a summary of the outstanding amounts due from (to) other funds as of June 30, 2011:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 236,216	\$ 258
Institute Fund	458	5,164
Education Fund	794,245	1,025,885
Teacher Inservice for DuPage Educators Fund	4,969	4,776
Local Services Fund	-	4,769
Nonmajor Proprietary Funds	4,964	-
Total	<u>\$ 1,040,852</u>	<u>\$ 1,040,852</u>

7. DUE TO/FROM OTHER GOVERNMENTS

A summary of amounts due from other governments from special revenue and proprietary funds at June 30, 2011 follows:

Education Fund:	
Illinois State Board of Education	\$ 1,105,470
County of DuPage	47,771
ROE # 56	396,974
ROE #49	<u>28,329</u>
Total Education Fund	<u>1,578,544</u>
Local Services Fund:	
County of DuPage	\$ 22,355
Local school districts	8,950
Other governmental units	<u>22,863</u>
Total Local Services Fund	<u>54,168</u>
Total	<u>\$ 1,632,712</u>

DUPAGE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 19
 NOTES TO FINANCIAL STATEMENTS – Continued

7. DUE TO/FROM OTHER GOVERNMENTS – continued

A summary of amounts due to other governments from general, special revenue, proprietary, and fiduciary funds at June 30, 2011 follows:

General Fund:	
Local school districts	<u>\$ 418,828</u>
Institute Fund:	
Local school districts	<u>\$ 8,109</u>
Education Fund:	
Illinois State Board of Education	\$ 793,784
Local school districts	<u>68,400</u>
Total Education Fund	<u>\$ 862,184</u>
Teacher Inservice for DuPage Educators Fund:	
Local Universities	<u>\$ 3,600</u>
DuPage Career Education Center:	
Local school districts	<u>\$ 23,533</u>
Total	<u>\$ 1,316,254</u>

8. RISK MANAGEMENT

The ROE 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. Insurance to cover these risks is provided through DuPage County. Claims from these risks have not exceeded commercial insurance coverage during the current fiscal year and the previous two fiscal years.

9. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

DUPAGE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 19
 NOTES TO FINANCIAL STATEMENTS – Continued

9. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – Continued

The following funds/fund accounts had deficit fund balances/net assets at June 30, 2011:

Education Fund:

Truant’s Alternative Program	\$17,896
McKinney Education for Homeless	2,957
Workforce Investment Act	23,037
National Board Professional Preparation and Teacher Support System	1,810
Preschool for All	4,373
Reading Improvement	1,200
Gifted Education	9,412
Career Tech Ed	12,014
Response to Intervention	2,702

10. ON-BEHALF SALARIES AND BENEFITS

As previously noted, the State of Illinois makes employer pension contributions on behalf of the ROE. The salaries, benefits, and TRS contributions of the Regional Superintendent and the Assistant Superintendent are paid by the State of Illinois. The amounts paid by the State of Illinois are as follows:

Regional Superintendent salary	\$	100,762
Regional Superintendent benefits (Includes State paid insurance)		5,901
Assistant Regional Superintendent salary		90,686
Assistant Regional Superintendent benefits		25,008
TRS pension contributions		167,816
THIS OPEB contributions		4,708
Salaries and benefits of office employees paid by DuPage County		777,332
Other operating expenses		<u>221,191</u>
Total	\$	<u>1,393,404</u>

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

DUPAGE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 19
 NOTES TO FINANCIAL STATEMENTS – Continued

11. INTERFUND TRANSFERS

During the year ended June 30, 2011, the following interfund transfers occurred:

	<u>Transfer In</u>	<u>Transfers out</u>
General Fund:		
Reading First	\$ 5,000	\$ -
Regional Safe Schools and General State Aid	-	111,759
Truant Minors in Need of Supervision (TMINS)	<u>111,759</u>	<u>-</u>
Total General Fund	<u>116,759</u>	<u>111,759</u>
Education Fund:		
Reading Improvement	<u>-</u>	<u>5,500</u>
Total Education Fund	<u>-</u>	<u>5,500</u>
Proprietary Funds:		
Local Services	<u>500</u>	<u>-</u>
Total	<u>\$ 117,259</u>	<u>\$ 117,259</u>

12. OTHER POSTEMPLOYMENT BENEFITS

A. DuPage County Health Plan

The ROE participates in the DuPage County Health Insurance Plan (OPEB Plan) that provides limited health-care insurance for certain eligible retired employees. The OPEB Plan provides an explicit premium subsidy to certain employees who meet eligibility conditions, and other coverage to certain employees as a function of their early retirement agreements. Membership in the OPEB Plan consists of 3,319 total members, out of which 15 members are employees of the Regional Office of Education No. 19.

12. OTHER POSTEMPLOYMENT BENEFITS – Continued

A. DuPage County Health Plan – Continued

The actuarial valuation of liabilities under the OPEB Plan is calculated using the entry age actuarial cost method as of December 31, 2010 actuarial valuation (latest information available). This method requires the calculation of an unfunded actuarial liability, OPEB cost and OPEB obligation for DuPage County which amounted to \$7,140,094, \$49,089, and \$110,196 as of December 31, 2010, respectively. The ROE's portion of the unfunded actuarial liability, OPEB cost and OPEB obligation are not separately determinable from the DuPage County actuarial study.

The ROE has estimated its portion of the DuPage County's net OPEB obligation using the ratio of full-time equivalent employees of the ROE compared to full-time equivalent employees of DuPage County. Due to the small number of ROE employees who participate in the OPEB Plan (0.45% of total members), the ROE estimated net OPEB liability was determined to be very minimal.

Details of the OPEB Plan are available in Dupage County's audit report for the year ended November 30, 2010. The report may be obtained by writing to the Finance Department, DuPage County, 421 North County Farm Road, Wheaton, Illinois 60187.

B. Teacher Health Insurance Security Fund

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

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

12. OTHER POSTEMPLOYMENT BENEFITS – Continued

B. Teacher Health Insurance Security Fund – Continued

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

The State of Illinois makes contributions directly to THIS on behalf of the ROE's TRS-covered employees:

- *On behalf contributions to THIS Fund.* The State of Illinois makes employer retiree health insurance contributions on behalf of the ROE. State contributions are intended to match contributions to THIS Fund from active members which were 0.88 percent of pay during the year ended June 30, 2011. State of Illinois contributions were \$4,708 and the ROE recognized revenue and expenditures of this amount during the year.

Had the ROE recognized revenue and expenditures for State contributions intended to match active member contributions during the years ended June 30, 2010 and June 30, 2009, under current standards, the contributions match would have been 0.84 percent of pay or \$9,851 and \$10,989, respectively.

- *Employer contributions to THIS Fund.* The ROE also makes contributions to THIS Fund. The employer THIS Fund contribution was 0.66 percent during the year ended June 30, 2011. The employer contribution was 0.63 percent during the years ended June 30, 2010, and June 30, 2009. For the year ended June 30, 2011, the ROE paid \$3,531 to the THIS Fund. For the years ended June 30, 2010 and June 30, 2009, the ROE paid \$6,182 and \$7,036 to the THIS Fund, respectively, which was 100 percent of the required contribution.

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

DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
NOTES TO FINANCIAL STATEMENTS – Continued

13. RECLASSIFICATION AND PRIOR PERIOD ADJUSTMENTS

As shown in the following table, the financial statements of the ROE have been reclassified as of June 30, 2010 for the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Regional Safe Schools and General State Aid (one of two separate accounts comprising balance) and Truant Minors in Need of Supervision were presented as accounts of the Education Fund, a special revenue fund, and Area I was presented as a nonmajor special revenue fund in previous years, but were reclassified to General Fund based upon criteria of GASB Statement No. 54. ROE/ISC operations was presented as an account of the General Fund in previous years but was reclassified to the Education Fund based upon criteria of GASB Statement No. 54. Reading First was presented as a proprietary fund in previous years but was reclassified to the General Fund. In addition, the ROE has restated beginning fund balance/net assets as of July 1, 2011 to correct an incorrect valuation of a cash account from prior fiscal years.

	Governmental Activities	Business-Type Activities	General Fund	Education Fund	Nonmajor Special Revenue Funds	Local Services
Fund balance (deficit), June 30, 2010, as previously reported	\$ 1,768,385	\$1,384,037	\$ 42,617	\$ (173,399)	\$ 139,029	\$1,133,911
Implementation of GASB Statement No. 54	500	(500)	21,126	(19,317)	(1,309)	(500)
Prior period adjustment	-	(20,552)	-	-	-	(20,552)
Fund balance (deficit), July 1, 2010, (as reclassified and restated)	<u>\$ 1,768,885</u>	<u>\$1,362,985</u>	<u>\$ 63,743</u>	<u>\$ (192,716)</u>	<u>\$ 137,720</u>	<u>\$1,112,859</u>

SUPPLEMENTAL INFORMATION

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19

**GENERAL FUND
COMBINING SCHEDULE OF ACCOUNTS
June 30, 2011**

	<u>Reading First</u>	<u>ROE Operations</u>	<u>Regional Safe Schools and General State Aid</u>	<u>Area I</u>	<u>Truant Minors in Need of Supervision (TMINS)</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 68,035	\$ 88,264	\$ 336,879	\$ 1,245	\$ 11,193	\$ 505,616
Due from other funds	-	4,576	231,640	-	-	236,216
TOTAL ASSETS	<u>\$ 68,035</u>	<u>\$ 92,840</u>	<u>\$ 568,519</u>	<u>\$ 1,245</u>	<u>\$ 11,193</u>	<u>\$ 741,832</u>
LIABILITIES AND FUND BALANCE						
Liabilities						
Due to other governments	-	-	418,828	-	-	418,828
Due to other funds	-	258	-	-	-	258
Accrued wages	-	7,030	-	-	10,123	17,153
Total Liabilities	<u>-</u>	<u>7,288</u>	<u>418,828</u>	<u>-</u>	<u>10,123</u>	<u>436,239</u>
Fund Balance						
Assigned	-	-	149,691	1,245	1,070	152,006
Unassigned	68,035	85,552	-	-	-	153,587
Total Fund Balance	<u>68,035</u>	<u>85,552</u>	<u>149,691</u>	<u>1,245</u>	<u>1,070</u>	<u>305,593</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 68,035</u>	<u>\$ 92,840</u>	<u>\$ 568,519</u>	<u>\$ 1,245</u>	<u>\$ 11,193</u>	<u>\$ 741,832</u>

See accompanying Independent Auditors' Report.

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19

GENERAL FUND ACCOUNTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 For the Year Ended June 30, 2011

	Reading First	ROE Operations	Regional Safe Schools and General State Aid	Area I	Truant Minors in Need of Supervision (TMINS)	Total
REVENUES						
Local sources	\$ 97,750	\$ 51,450	\$ -	\$ 1,500	\$ 365	\$ 151,065
State sources	-	462,815	3,195,711	-	-	3,658,526
On-behalf payments	-	1,393,404	-	-	-	1,393,404
Total revenues	97,750	1,907,669	3,195,711	1,500	365	5,202,995
EXPENDITURES						
Salaries	-	102,896	-	-	68,051	170,947
Benefits	23	26,125	-	-	10,091	36,239
Purchased services	34,739	211,107	-	1,564	5,471	252,881
Supplies and materials	453	31,892	-	-	901	33,246
Capital outlay	-	2,676	-	-	-	2,676
Transfers - payments to other governmental units	-	-	3,076,752	-	-	3,076,752
On-behalf payments	-	1,393,404	-	-	-	1,393,404
Total expenditures	35,215	1,768,100	3,076,752	1,564	84,514	4,966,145
Revenues over (under) expenditures	62,535	139,569	118,959	(64)	(84,149)	236,850
Other financing sources						
Transfers in	5,000	-	-	-	111,759	116,759
Transfers out	-	-	(111,759)	-	-	(111,759)
Total other financing sources	5,000	-	(111,759)	-	111,759	5,000
Net change in fund balances	67,535	139,569	7,200	(64)	27,610	241,850
FUND BALANCE (DEFICIT), BEGINNING OF YEAR, AS RECLASSIFIED						
	500	(54,017)	142,491	1,309	(26,540)	63,743
FUND BALANCE, END OF YEAR						
	\$ 68,035	\$ 85,552	\$ 149,691	\$ 1,245	\$ 1,070	\$ 305,593

See accompanying Independent Auditors' Report.

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
EDUCATION FUND
COMBINING SCHEDULE OF ACCOUNTS
June 30, 2011

	Regional Safe Schools	Early Childhood Parenting Program	Truants' Alternative Program	McKinney Education for Homeless	Workforce Investment Act	System of Support (RESPRO)	Technology for Success	National Board Professional Preparation and Teacher Support System	Social Emotional Learning Standards Professional Development Program (SEL-PDP)
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 30	\$ -	\$ -	\$ -	\$ 20,101
Due from other governments	624,467	42,890	74,776	-	47,771	396,974	49,424	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Total Assets	\$ 624,467	\$ 42,890	\$ 74,776	\$ -	\$ 47,801	\$ 396,974	\$ 49,424	\$ -	\$ 20,101
LIABILITIES AND FUND BALANCE									
Liabilities									
Accounts payable and accrued expenses	-	-	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-	-	-
Due to other funds	357,726	35,832	90,037	2,957	15,885	306,107	30,886	1,810	-
Deferred revenue	64,501	-	-	-	37,412	-	-	-	-
Accrued wages	40,489	5,693	2,635	-	17,541	2,839	-	-	415
Total Liabilities	462,716	41,525	92,672	2,957	70,838	308,946	30,886	1,810	415
Fund Balance									
Restricted	161,751	1,355	-	-	-	88,028	18,538	-	19,686
Assigned	-	10	-	-	-	-	-	-	-
Unassigned	-	-	(17,896)	(2,957)	(23,037)	-	-	(1,810)	-
Total Fund Balance	161,751	1,365	(17,896)	(2,957)	(23,037)	88,028	18,538	(1,810)	19,686
TOTAL LIABILITIES AND FUND BALANCE	\$ 624,467	\$ 42,890	\$ 74,776	\$ -	\$ 47,801	\$ 396,974	\$ 49,424	\$ -	\$ 20,101

(Continued)

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
EDUCATION FUND
COMBINING SCHEDULE OF ACCOUNTS
June 30, 2011**

	<u>Preschool for All</u>	<u>Reading Improvement</u>	<u>Illinois New Principal Mentoring</u>	<u>Teacher Mentoring Pilot Program</u>	<u>Gifted Education</u>	<u>Career Tech Ed</u>	<u>ROE/ISC Operations</u>	<u>School Improvement</u>	<u>Response to Intervention</u>	<u>Total</u>
ASSETS										
Cash and cash equivalents	\$ -	\$ -	\$ 4,266	\$ 35,906	\$ -	\$ -	\$ 58,162	\$ -	\$ -	\$ 118,465
Due from other governments	28,329	-	-	36,844	-	45,057	132,197	99,815	-	1,578,544
Due from other funds	-	-	-	-	-	-	-	-	794,245	794,245
Total Assets	\$ 28,329	\$ -	\$ 4,266	\$ 72,750	\$ -	\$ 45,057	\$ 190,359	\$ 99,815	\$ 794,245	\$ 2,491,254
LIABILITIES AND FUND BALANCE										
Liabilities										
Accounts payable and accrued expenses	-	-	-	3,000	-	-	-	-	2,702	5,702
Due to other governments	-	-	-	68,400	-	-	-	-	793,784	862,184
Due to other funds	32,702	1,200	-	-	9,412	45,057	-	96,274	-	1,025,885
Deferred revenue	-	-	-	-	-	12,014	44,069	-	-	157,996
Accrued wages	-	-	35	-	-	-	330	46	461	70,484
Total Liabilities	32,702	1,200	35	71,400	9,412	57,071	44,399	96,320	796,947	2,122,251
Fund Balance										
Restricted	-	-	4,231	1,350	-	-	145,960	-	-	440,899
Assigned	-	-	-	-	-	-	-	3,495	-	3,505
Unassigned	(4,373)	(1,200)	-	-	(9,412)	(12,014)	-	-	(2,702)	(75,401)
Total Fund Balance	(4,373)	(1,200)	4,231	1,350	(9,412)	(12,014)	145,960	3,495	(2,702)	369,003
TOTAL LIABILITIES AND FUND BALANCE	\$ 28,329	\$ -	\$ 4,266	\$ 72,750	\$ -	\$ 45,057	\$ 190,359	\$ 99,815	\$ 794,245	\$ 2,491,254

(Concluded)

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19

EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 For the Year Ended June 30, 2011

	Regional Safe Schools	Early Childhood Parenting Program	Truants' Alternative Program	McKinney Education for Homeless	Workforce Investment Act	System of Support (RESPRO)	Technology for Success
REVENUES							
Local sources	\$ 70,317	\$ 10	\$ 628	\$ -	\$ 66	\$ -	\$ -
State sources	896,604	130,279	114,336	-	-	-	123,352
Federal sources	-	-	-	39,785	101,303	1,089,503	-
Total revenues	966,921	130,289	114,964	39,785	101,369	1,089,503	123,352
EXPENDITURES							
Salaries	199,555	75,243	56,952	-	85,798	56,691	34,998
Benefits	47,934	25,747	11,852	-	36,906	22,864	11,678
Purchased services	372,593	8,593	4,472	33,868	12,743	442,584	55,548
Supplies and materials	28,653	417	268	55	2,142	37,043	-
Capital outlay	3,039	-	1,233	1,233	1,237	-	-
Transfers - payments to other governmental units	-	-	-	-	-	489,885	-
Total expenditures	651,774	110,000	74,777	35,156	138,826	1,049,067	102,224
Revenues over (under) expenditures	315,147	20,289	40,187	4,629	(37,457)	40,436	21,128
Other financing sources (uses)							
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balances	315,147	20,289	40,187	4,629	(37,457)	40,436	21,128
FUND BALANCE (DEFICIT), BEGINNING OF YEAR AS RECLASSIFIED	(153,396)	(18,924)	(58,083)	(7,586)	14,420	47,592	(2,590)
FUND BALANCE (DEFICIT), END OF YEAR	\$ 161,751	\$ 1,365	\$ (17,896)	\$ (2,957)	\$ (23,037)	\$ 88,028	\$ 18,538

See accompanying Independent Auditors' Report.

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19

**EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2011**

	<u>National Board Professional Preparation and Teacher Support System</u>	<u>Social Emotional Learning Standards Professional Development Program (SEL-PDP)</u>	<u>Preschool for All</u>	<u>Reading Improvement</u>	<u>Illinois New Principal Mentoring</u>	<u>Teacher Mentoring Pilot Program</u>	<u>Gifted Education</u>
REVENUES							
Local sources	\$ -	\$ -	\$ 54,990	\$ -	\$ 66,586	\$ -	\$ 21,360
State sources	-	139,964	-	-	-	179,041	209,800
Federal sources	-	-	-	51,552	-	-	-
Total revenues	<u>-</u>	<u>139,964</u>	<u>54,990</u>	<u>51,552</u>	<u>66,586</u>	<u>179,041</u>	<u>231,160</u>
EXPENDITURES							
Salaries	-	-	-	-	-	-	-
Benefits	-	3,272	-	-	69	-	-
Purchased services	1,810	112,464	28,329	11,400	59,715	24,017	65,053
Supplies and materials	-	1,476	-	4,552	97	-	168,769
Capital outlay	-	-	-	-	-	-	-
Transfers - payments to other governmental units	-	-	-	31,300	-	79,465	6,750
Total expenditures	<u>1,810</u>	<u>117,212</u>	<u>28,329</u>	<u>47,252</u>	<u>59,881</u>	<u>103,482</u>	<u>240,572</u>
Revenues over (under) expenditures	<u>(1,810)</u>	<u>22,752</u>	<u>26,661</u>	<u>4,300</u>	<u>6,705</u>	<u>75,559</u>	<u>(9,412)</u>
Other financing sources (uses)							
Transfers out	-	-	-	(5,500)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(1,810)</u>	<u>22,752</u>	<u>26,661</u>	<u>(1,200)</u>	<u>6,705</u>	<u>75,559</u>	<u>(9,412)</u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR AS RECLASSIFIED	<u>-</u>	<u>(3,066)</u>	<u>(31,034)</u>	<u>-</u>	<u>(2,474)</u>	<u>(74,209)</u>	<u>-</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ (1,810)</u>	<u>\$ 19,686</u>	<u>\$ (4,373)</u>	<u>\$ (1,200)</u>	<u>\$ 4,231</u>	<u>\$ 1,350</u>	<u>\$ (9,412)</u>

See accompanying Independent Auditors' Report.

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19

**EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2011**

	<u>Career Tech Ed</u>	<u>ROE/ISC Operations</u>	<u>School Improvement</u>	<u>Response to Intervention</u>	<u>Total</u>
REVENUES					
Local sources	\$ -	\$ -	\$ 3,495	\$ -	\$ 217,452
State sources	101,596	273,737	-	71,066	2,239,775
Federal sources	-	-	149,640	-	1,431,783
	<u>101,596</u>	<u>273,737</u>	<u>153,135</u>	<u>71,066</u>	<u>3,889,010</u>
EXPENDITURES					
Salaries	-	176,785	-	-	686,022
Benefits	-	43,675	576	461	205,034
Purchased services	49,720	2,680	118,989	73,307	1,477,885
Supplies and materials	32,450	1,271	5,933	-	283,126
Capital outlay	-	-	4,800	-	11,542
Transfers - payments to other governmental units	31,440	-	19,342	-	658,182
	<u>113,610</u>	<u>224,411</u>	<u>149,640</u>	<u>73,768</u>	<u>3,321,791</u>
Revenues over (under) expenditures	<u>(12,014)</u>	<u>49,326</u>	<u>3,495</u>	<u>(2,702)</u>	<u>567,219</u>
Other financing sources (uses)					
Transfers out	-	-	-	-	(5,500)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,500)</u>
Net change in fund balances	(12,014)	49,326	3,495	(2,702)	561,719
FUND BALANCE (DEFICIT), BEGINNING OF YEAR AS RECLASSIFIED	<u>-</u>	<u>96,634</u>	<u>-</u>	<u>-</u>	<u>(192,716)</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ (12,014)</u>	<u>\$ 145,960</u>	<u>\$ 3,495</u>	<u>\$ (2,702)</u>	<u>\$ 369,003</u>

(Concluded)

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
REGIONAL SAFE SCHOOLS
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2011

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Local sources	\$ -	\$ 70,317	\$ 70,317
State sources	644,974	896,604	251,630
Total revenues	644,974	966,921	321,947
 EXPENDITURES			
Salaries	218,120	199,555	18,565
Benefits	62,454	47,934	14,520
Purchased services	353,400	372,593	(19,193)
Supplies and materials	9,000	28,653	(19,653)
Capital outlay	2,000	3,039	(1,039)
Total expenditures	644,974	651,774	(6,800)
Net change in fund balance	\$ -	315,147	\$ 315,147
 FUND BALANCE (DEFICIT), BEGINNING OF YEAR		(153,396)	
 FUND BALANCE, END OF YEAR		\$ 161,751	

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
EARLY CHILDHOOD PARENTING PROGRAM
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Local sources	\$ -	\$ 10	\$ 10
State sources	<u>111,856</u>	<u>130,279</u>	<u>18,423</u>
Total revenues	<u>111,856</u>	<u>130,289</u>	<u>18,433</u>
EXPENDITURES			
Salaries	77,148	75,243	1,905
Benefits	25,000	25,747	(747)
Purchased services	9,708	8,593	1,115
Supplies and materials	<u>-</u>	<u>417</u>	<u>(417)</u>
Total expenditures	<u>111,856</u>	<u>110,000</u>	<u>1,856</u>
Net change in fund balance	<u>\$ -</u>	20,289	<u>\$ 20,289</u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR		<u>(18,924)</u>	
FUND BALANCE, END OF YEAR		<u>\$ 1,365</u>	

See accompanying Independent Auditors' Report.

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
TRUANTS' ALTERNATIVE PROGRAM
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Local sources	\$ -	\$ 628	\$ 628
State sources	<u>105,866</u>	<u>114,336</u>	<u>8,470</u>
 Total revenues	 <u>105,866</u>	 <u>114,964</u>	 <u>9,098</u>
 EXPENDITURES			
Salaries	71,759	56,952	14,807
Benefits	16,247	11,852	4,395
Purchased services	16,651	4,472	12,179
Supplies and materials	1,209	268	941
Capital outlay	<u>-</u>	<u>1,233</u>	<u>(1,233)</u>
 Total expenditures	 <u>105,866</u>	 <u>74,777</u>	 <u>31,089</u>
 Net change in fund balance	 <u>\$ -</u>	 40,187	 <u>\$ 40,187</u>
 FUND BALANCE (DEFICIT), BEGINNING OF YEAR		 <u>(58,083)</u>	
 FUND BALANCE (DEFICIT), END OF YEAR		 <u>\$ (17,896)</u>	

See accompanying Independent Auditors' Report.

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 TECHNOLOGY FOR SUCCESS
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 For the Year Ended June 30, 2011**

	Budget	Actual	Variance Positive (Negative)
REVENUES			
State sources	\$ 105,600	\$ 123,352	\$ 17,752
Total revenues	105,600	123,352	17,752
 EXPENDITURES			
Salaries	34,998	34,998	-
Benefits	11,678	11,678	-
Purchased services	58,924	55,548	3,376
Total expenditures	105,600	102,224	3,376
Net change in fund balance	\$ -	21,128	\$ 21,128
FUND BALANCE (DEFICIT), BEGINNING OF YEAR		(2,590)	
FUND BALANCE, END OF YEAR		\$ 18,538	

See accompanying Independent Auditors' Report.

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
TEACHER MENTORING PILOT PROGRAM
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2011**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
State sources	<u>\$ 86,368</u>	<u>\$ 179,041</u>	<u>\$ 92,673</u>
Total revenues	<u>86,368</u>	<u>179,041</u>	<u>92,673</u>
EXPENDITURES			
Purchased services	17,900	24,017	(6,117)
Supplies and materials	68	-	68
Transfers - payments to other governmental units	<u>68,400</u>	<u>79,465</u>	<u>(11,065)</u>
Total expenditures	<u>86,368</u>	<u>103,482</u>	<u>(17,114)</u>
Net change in fund balance	<u><u>\$ -</u></u>	75,559	<u><u>\$ 75,559</u></u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR		<u>(74,209)</u>	
FUND BALANCE, END OF YEAR		<u><u>\$ 1,350</u></u>	

See accompanying Independent Auditors' Report.

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
CAREER TECH ED
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
State sources	<u>\$ 111,342</u>	<u>\$ 101,596</u>	<u>\$ (9,746)</u>
Total revenues	<u>111,342</u>	<u>101,596</u>	<u>(9,746)</u>
 EXPENDITURES			
Purchased services	67,580	49,720	17,860
Supplies and materials	43,762	32,450	11,312
Transfers - payments to other governmental units	<u>-</u>	<u>31,440</u>	<u>(31,440)</u>
Total expenditures	<u>111,342</u>	<u>113,610</u>	<u>(2,268)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>(12,014)</u>	<u><u>\$ (12,014)</u></u>
 FUND BALANCE, BEGINNING OF YEAR		<u>-</u>	
 FUND BALANCE (DEFICIT) , END OF YEAR		<u><u>\$ (12,014)</u></u>	

See accompanying Independent Auditors' Report.

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
ROE/ISC OPERATIONS
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
State sources	<u>\$ 220,325</u>	<u>\$ 273,737</u>	<u>\$ 53,412</u>
Total revenues	<u>220,325</u>	<u>273,737</u>	<u>53,412</u>
 EXPENDITURES			
Salaries	173,563	176,785	(3,222)
Benefits	43,329	43,675	(346)
Purchased services	2,165	2,680	(515)
Supplies and materials	<u>1,268</u>	<u>1,271</u>	<u>(3)</u>
Total expenditures	<u>220,325</u>	<u>224,411</u>	<u>(4,086)</u>
Net change in fund balance	<u>\$ -</u>	49,326	<u>\$ 49,326</u>
 FUND BALANCE, BEGINNING OF YEAR		<u>96,634</u>	
 FUND BALANCE, END OF YEAR		<u>\$ 145,960</u>	

See accompanying Independent Auditors' Report.

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
SCHOOL IMPROVEMENT
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2011

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Local sources	\$ -	\$ 3,495	\$ 3,495
Federal sources	260,000	149,640	(110,360)
 Total revenues	 260,000	 153,135	 (106,865)
 EXPENDITURES			
Salaries	3,000	-	3,000
Benefits	1,736	576	1,160
Purchased services	243,399	118,989	124,410
Supplies and materials	6,000	5,933	67
Capital outlay	-	4,800	(4,800)
Indirect cost	5,865	-	5,865
Transfers - payments to other governmental units	-	19,342	(19,342)
 Total expenditures	 260,000	 149,640	 110,360
 Net change in fund balance	 \$ -	 3,495	 \$ 3,495
 FUND BALANCE, BEGINNING OF YEAR		 -	
 FUND BALANCE , END OF YEAR		 \$ 3,495	

See accompanying Independent Auditor's Report.

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2011**

	<u>General Education Development</u>	<u>Bus Driver Training</u>	<u>Supervisory</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 9,208	\$ 139,861	\$ 343	\$ 149,412
TOTAL ASSETS	<u>\$ 9,208</u>	<u>\$ 139,861</u>	<u>\$ 343</u>	<u>\$ 149,412</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
None	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance				
Restricted	<u>9,208</u>	<u>139,861</u>	<u>343</u>	<u>149,412</u>
Total Fund Balance	<u>9,208</u>	<u>139,861</u>	<u>343</u>	<u>149,412</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 9,208</u>	<u>\$ 139,861</u>	<u>\$ 343</u>	<u>\$ 149,412</u>

See accompanying Independent Auditors' Report.

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2011**

	<u>General Education Development</u>	<u>Bus Driver Training</u>	<u>Supervisory</u>	<u>Total</u>
REVENUES				
Local sources	\$ 3,411	\$ 16,088	\$ -	\$ 19,499
State sources	-	3,764	-	3,764
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	3,411	19,852	-	23,263
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES				
Purchased services	47	11,160	-	11,207
Supplies and materials	364	-	-	364
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	411	11,160	-	11,571
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	3,000	8,692	-	11,692
FUND BALANCE, BEGINNING OF YEAR AS RECLASSIFIED	<hr/> 6,208	<hr/> 131,169	<hr/> 343	<hr/> 137,720
FUND BALANCE, END OF YEAR	<hr/> <u>\$ 9,208</u>	<hr/> <u>\$ 139,861</u>	<hr/> <u>\$ 343</u>	<hr/> <u>\$ 149,412</u>

See accompanying Independent Auditors' Report.

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19

NONMAJOR ENTERPRISE FUND
STATEMENT OF NET ASSETS
June 30, 2011

	Criminal Background Investigation
ASSETS	
Due from other funds	\$ 4,964
TOTAL ASSETS	<u>4,964</u>
LIABILITIES	
None	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS	
Unrestricted	<u>4,964</u>
Total Net Assets	<u>\$ 4,964</u>

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19

NONMAJOR ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2011

	<u>Criminal Background Investigation</u>
OPERATING REVENUES	
Fees and charges for services	\$ 49,306
Total operating revenues	<u>49,306</u>
OPERATING EXPENSES	
Purchased services	<u>60,899</u>
Total operating expenses	<u>60,899</u>
OPERATING LOSS	<u>(11,593)</u>
NONOPERATING REVENUES (EXPENSES)	
Loss on disposal of capital assets	<u>(2,123)</u>
Total nonoperating revenues (expenses)	<u>(2,123)</u>
CHANGE IN NET ASSETS	<u>(13,716)</u>
NET ASSETS, BEGINNING OF YEAR	<u>18,680</u>
NET ASSETS, END OF YEAR	<u>\$ 4,964</u>

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19

**NONMAJOR ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2011**

	<u>Criminal Background Investigation</u>
Cash Flows from Operating Activities:	
Receipts for workshops and services	\$ 65,746
Payments to suppliers and providers of goods and services	<u>(60,899)</u>
Net cash from operating activities	<u>4,847</u>
Cash Flows from Noncapital Financing Activities:	
Payments to interfund accounts	<u>(4,847)</u>
Net cash from noncapital financing activities	<u>(4,847)</u>
Net change in cash and cash equivalents	-
Cash and cash equivalents - Beginning of year	<u>-</u>
Cash and cash equivalents - End of year	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash from operating activities:	
Operating income (loss)	(11,593)
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
(Increase)/decrease in assets:	
Due from other governments	<u>16,440</u>
Net cash from operating activities	<u><u>\$ 4,847</u></u>

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
For the Year Ended June 30, 2011

<u>DUPAGE CAREER EDUCATION CENTER (DCEC)</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
ASSETS				
Cash and cash equivalents	\$ 8,112	\$ 31,088	\$ 15,667	\$ 23,533
TOTAL ASSETS	<u>\$ 8,112</u>	<u>\$ 31,088</u>	<u>\$ 15,667</u>	<u>\$ 23,533</u>
LIABILITIES				
Due to other governments	<u>8,112</u>	<u>31,088</u>	<u>15,667</u>	<u>23,533</u>
TOTAL LIABILITIES	<u>\$ 8,112</u>	<u>\$ 31,088</u>	<u>\$ 15,667</u>	<u>\$ 23,533</u>

FEDERAL COMPLIANCE SECTION

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor, Program or Cluster Title	CFDA Number	ISBE Project # (1st 8 digits) or Contract #	Federal Expenditures 7/1/10 - 6/30/11
U.S. DEPARTMENT OF EDUCATION:			
Passed through Will County Regional Office of Education No. 56:			
Title I - Grants to Local Educational Agencies	84.010A	2010-4331-SS	\$ 171,014
Title I - Grants to Local Educational Agencies	84.010A	2011-4331-SS	821,678
Passed through Illinois State Board of Education:			
Title I - Grants to Local Educational Agencies, Recovery Act	84.389A	2011-4854-00	<u>149,640</u>
(M) Total Title I, Part A Cluster			<u>1,142,332</u>
Passed through Will County Regional Office of Education No. 56:			
Education for Homeless Children and Youth	84.196A	2011-4920-00	<u>33,000</u>
Passed through Illinois State Board of Education:			
Reading First State Grants	84.357A	2010-4337-00	<u>46,052</u>
Passed through Will County Regional Office of Education No. 56:			
Improving Teacher Quality State Grants	84.367A	2010-4935-SS	<u>32,108</u>
U.S. DEPARTMENT OF LABOR			
Passed through the County of DuPage			
WIA Youth Activities		PY2008-05	2,608
WIA Youth Activities		PY2010-01	<u>136,107</u>
Total WIA Youth Activities	17.259		<u>138,715</u>
Total Expenditures of Federal Awards			<u>\$ 1,392,207</u>

(M) Program was audited as a major program.

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the DuPage County Regional Office of Education No. 19 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented on this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. DESCRIPTION OF FEDERAL PROGRAMS AUDITED AS A MAJOR PROGRAM

The objective of the Title I, Part A Cluster is to provide school improvement services to the participating schools/districts of the DuPage County Regional Office of Education No. 19 including, working with first and second year schools in improvement status, assisting in data analysis, and supporting the implementation interventions of effective practices to improve student achievement.

3. SUBRECIPIENTS

The DuPage County Regional Office of Education No. 19 did not provide federal payments to subrecipients during the year ended June 30, 2011.

4. NON-CASH ASSISTANCE, LOANS OUTSTANDING, AND INSURANCE

The DuPage County Regional Office of Education No. 19 did not receive any federal non-cash assistance, federal loans, or federal insurance for the year ended June 30, 2011.