

STATE OF ILLINOIS
HANCOCK/MCDONOUGH
REGIONAL OFFICE OF EDUCATION # 26
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

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HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
COMPLIANCE REPORT SUMMARY

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit Findings	1	1
Repeated Audit Findings	1	1
Prior recommendations implemented or not repeated	0	0

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
		<i>Findings (Government Auditing Standards)</i>	
11-1	15	Controls over Financial Statement Preparation	Material Weakness
		<i>Findings and Questioned Costs (Federal Compliance)</i>	
		None	
		<i>Prior Audit Findings not Repeated (Government Auditing Standards)</i>	
		None	
		<i>Prior Audit Findings not Repeated (Federal Compliance)</i>	
		None	

An informal exit conference was held on November 15, 2011. Those involved included John Meixner, Regional Superintendent, and Michael Remmele, auditor. The findings and audit process in general were discussed. Responses to the recommendations were provided by John Meixner on January 13, 2012.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
FINANCIAL STATEMENT REPORT
SUMMARY

The audit of the accompanying basic financial statements of Hancock/McDonough Regional Office of Education #26 was performed by Ginoli & Company Ltd.

Based on their audit, the auditors expressed an unqualified opinion on the Hancock/McDonough Regional Office of Education #26'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 Hancock/McDonough Regional Office of Education #26, as of and for the year ended June 30, 2011, which collectively comprise the Hancock/McDonough Regional Office of Education #26's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Regional Office of Education #26's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hancock/McDonough Regional Office of Education #26, 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 Hancock/McDonough Regional Office of Education #26 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 Hancock/McDonough Regional Office of Education #26's governmental funds' assets or liabilities nor was there any effect to the total amount of any of the Hancock/McDonough Regional Office of Education #26'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 April 20, 2012 on our consideration of the Hancock/McDonough Regional Office of Education #26's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 20 through 27 and page 59 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hancock/McDonough Regional Office of Education #26's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and Schedule of Disbursements to School District Treasurers and Others 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 the 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 of the Hancock/McDonough Regional Office of Education #26. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Others, 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.

GINOLI & COMPANY LTD

GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
April 20, 2012



**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 Hancock/McDonough Regional Office of Education #26, as of and for the year ended June 30, 2011, which collectively comprise the Hancock/McDonough Regional Office of Education #26's basic financial statements and have issued our report thereon dated April 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Hancock/McDonough Regional Office of Education #26 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Hancock/McDonough Regional Office of Education #26'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 Hancock/McDonough Regional Office of Education #26's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Regional Office of Education #26's internal control over financial reporting.

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

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in finding 11-1 in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hancock/McDonough Regional Office of Education #26'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*.

Hancock/McDonough Regional Office of Education #26's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Hancock/McDonough Regional Office of Education #26's response and, accordingly, we express no opinion on it.

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 organization, Illinois State Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

GINOLI & COMPANY LTD

GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
April 20, 2012



**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 Hancock/McDonough Counties Regional Office of Education #26 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 Hancock/McDonough Counties Regional Office of Education #26's major federal programs for the year ended June 30, 2011. The Hancock/McDonough Regional Office of Education #26'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 Hancock/McDonough Regional Office of Education #26's management. Our responsibility is to express an opinion on the Hancock/McDonough Counties Regional Office of Education #26'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 Hancock/McDonough Counties Regional Office of Education #26'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 Hancock/McDonough Counties Regional Office of Education #26's compliance with those requirements.

In our opinion, the Hancock/McDonough Counties Regional Office of Education #26 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 Hancock/McDonough Counties Regional Office of Education #26 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 Hancock/McDonough Counties Regional Office of Education #26's internal control over compliance with 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 Hancock/McDonough Counties Regional Office of Education #26's internal control over compliance.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a *material weakness*, as defined above.

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

GINOLI & COMPANY LTD
GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
April 20, 2012

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified
(unqualified, qualified, adverse, disclaimer)

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported

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

unqualified
(unqualified, qualified, adverse, disclaimer)

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

yes X no

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2011
 (CONTINUED)

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.215X	Teaching American History
	McKinney Education for Homeless Children and Youth Cluster
84.387A	McKinney Education for Homeless Children- ARRA
84.196A	McKinney Education for Homeless Children

Dollar threshold used to distinguish between

Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee yes X no n/a

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS
For The Year Ended June 30, 2011

FINDING NO. 11-1 - Controls Over Financial Statement Preparation (Repeat of prior years findings: 10-1, 09-1, 08-1 and 07-1)

Criteria/Specific Requirement:

The Hancock/McDonough Regional Office of Education #26 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

Condition:

The Regional Office of Education #26 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the accrual basis for disbursements and the cash basis for receipts. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, and deferred revenue.
- The Regional Office did not maintain adequate internal controls over the processing of all financial transactions, and numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.

Effect:

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

Cause:

According to Regional Office officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS
For The Year Ended June 30, 2011

Recommendation:

As part of its internal control over the preparation of financial statements, including disclosures, the Regional Office of Education #26 should implement a comprehensive preparation and /or review procedure to ensure that the financial statements, including note disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

Management's Response:

The Regional Office of Education #26 understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office accepts the degree of risk associated with this condition because the added expense of seeking additional accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION III – FEDERAL AWARD FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

None for the year ended June 30, 2011.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Finding No. 11-1 – Controls Over Financial Statement Preparation (Repeat of prior years finding: 10-1, 09-1, 08-1 and 07-1)

Condition:

The Regional Office of Education #26 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the accrual basis for disbursements and the cash basis for receipts. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, and deferred revenues.
- The Regional Office did not maintain adequate internal controls over the processing of all financial transactions, and numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.

Corrective Action Plan:

The Regional Office of Education #26 understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office accepts the degree of risk associated with this condition because the added expense of seeking additional accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region.

ANTICIPATED DATE OF COMPLETION:

Undetermined

CONTACT PERSON:

John Meixner, Regional Superintendent

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For Year Ended June 30, 2011

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
10-1	Controls over financial statement preparation	Repeated 11-1

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26

MANAGEMENT'S DISCUSSION AND ANALYSIS

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

The Hancock/McDonough Regional Office of Education #26 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 with the Agency's financial statements, which follow.

2011 Financial Highlights

General Fund revenues increased from \$930,066 (restated) in fiscal year 2010 (FY 10) to \$968,680 in fiscal year 2011 (FY 11). The General Fund expenditures decreased from \$943,465 (restated) in FY 10 to \$739,930 in FY 11. The Regional Office experienced an increase in the General Fund balance from \$341,795 at the beginning of FY 11 to a General Fund balance of \$592,696 at the end of FY 11. The General Fund now included the Alternative Schools Program, which receives general state aid. The FY 10 numbers reflect this change. FY 11 revenues were up slightly due to the State of Illinois paying FY10 payments during FY 11. FY 11 expenditures were down mainly from lower salary and benefits. At the end of FY11, this Regional Office was owed a substantial amount from the State of Illinois.

Using This Annual Report

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the 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 Regional Office of Education #26 as a whole and present an overall view of the Office's finances.
- 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 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 Office's detailed information for each category of funds and also provides detailed information about the non-major funds.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2011

Reporting the Regional Office of Education #26 as a Whole

The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the Regional Office of Education #26 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Hancock/McDonough Regional Office of Education #26’s assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the net assets can be an indicator of whether the financial position is improving or deteriorating, respectively.
- To assess the 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 provided 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 Hancock/McDonough Regional Office of Education #26 established other funds to control and manage money for particular purposes.

- 1) Governmental funds account for a majority of the Office’s services. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and balance left at year-end that is 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 Office’s programs. The 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.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

- 2) Proprietary funds account for services for which the Hancock/McDonough Regional Office of Education #26 charges fees under a cost-reimbursement method. These fees cover the costs of certain services and workshops 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 Hancock/McDonough Regional Office of Education #26 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 is 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 Hancock/McDonough Regional Office of Education #26's net assets at the end of fiscal year 2010 totaled \$584,939. At the end of fiscal year 2011, the net assets were \$866,593.

Net assets related to the Teacher Institute Fund, the Education Funds, and the Non-major Special Revenue Funds are considered restricted for educational purposes.

The analysis that follows provides a summary of the Office's net assets at June 30, 2011 and 2010.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
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						
Total Current Assets	\$1,352,547	\$1,037,331	\$553,735	\$583,714	\$1,906,282	\$1,621,045
Noncurrent Assets						
Capital Assets, net of depreciation	56,809	51,198	49,865	44,523	106,674	95,721
TOTAL ASSETS	\$1,409,356	\$1,088,529	\$603,600	\$628,237	\$2,012,956	\$1,716,766
LIABILITIES						
Current Liabilities						
Total Current Liabilities	\$618,157	\$554,106	\$528,206	\$544,571	\$1,146,363	\$1,098,677
Noncurrent Liabilities						
Compensated Absences	-	33,150	-	-	-	33,150
TOTAL LIABILITIES	\$618,157	\$587,256	\$528,206	\$544,571	\$1,146,363	\$1,131,827
NET ASSETS						
Investments in capital assets, net of related debt	\$ 56,809	\$ 51,198	\$49,865	\$44,523	\$106,674	\$ 95,721
Unrestricted	588,836	421,881	25,529	39,143	614,365	461,024
Restricted for educational Purposes	145,554	28,194	-	-	145,554	28,194
TOTAL NET ASSETS	\$791,199	\$501,273	\$75,394	\$83,666	\$866,593	\$584,939

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

CHANGES IN NET ASSETS

For the Years Ended June 30, 2011 and 2010

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$9,563	\$ 7,841	\$ 781,476	\$874,521	\$791,039	\$ 882,362
Operating grants & contributions	2,483,607	2,798,427	-	-	2,483,607	2,798,427
General Revenues:						
Local Sources	496,249	423,114	-	-	496,249	423,114
On-behalf payments	341,083	369,751	-	-	341,083	369,751
Investment income	722	1,020	-	-	722	1,020
Total Revenues	<u>\$3,331,224</u>	<u>\$3,600,153</u>	<u>\$ 781,476</u>	<u>\$874,521</u>	<u>\$4,112,700</u>	<u>\$4,474,674</u>
Expenses						
Salaries	\$1,125,661	\$1,445,599	\$ 32,400	\$31,400	\$1,158,061	\$1,476,999
Benefits	429,995	509,004	2,898	3,403	432,893	512,407
Purchased Services	799,947	1,141,850	24,131	9,827	824,078	1,151,677
Supplies and materials	106,586	99,089	724,680	819,801	831,266	918,890
Miscellaneous	-	-	617	-	617	-
Depreciation	27,887	25,868	5,022	5,588	32,909	31,456
Other objects	317	800	-	-	317	800
Transfers-payments to other governments	209,822	13,341	-	-	209,822	13,341
On-behalf payments	341,083	369,751	-	-	341,083	369,751
Total Expenses	<u>\$3,041,298</u>	<u>\$3,605,302</u>	<u>\$789,748</u>	<u>\$870,019</u>	<u>\$3,831,046</u>	<u>\$4,475,321</u>
Change in net assets	\$ 289,926	\$ (5,149)	\$ (8,272)	\$ 4,502	\$ 281,654	\$ (647)
Net assets-beginning	<u>501,273</u>	<u>506,422</u>	<u>83,666</u>	<u>79,164</u>	<u>584,939</u>	<u>585,586</u>
Net assets-ending	<u>\$791,199</u>	<u>\$ 501,273</u>	<u>\$ 75,394</u>	<u>\$ 83,666</u>	<u>\$866,593</u>	<u>\$ 584,939</u>

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

Governmental Activities

For FY 11, revenues for governmental activities were \$3,331,224 and expenses were \$3,041,298. The Regional Office of Education #26 determined that the decrease in expense is due to fewer employees resulting in lower payroll, benefits, and travel costs.

Business-Type Activities

Combined revenue and expense for the Hancock/McDonough Regional Office of Education #26's business-type activities decreased net assets by \$8,272.

Financial Analysis of the Regional Office of Education #26 Funds

As previously noted, the ROE #26 uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The Agency's Governmental Funds report combined fund balances of \$732,166.

Governmental Fund Highlights

- The number of dollars coming from the State of Illinois to the Regional Office of Education #26 for staff development programs has continued to decrease, impacting the number of programs that can be offered.
- The timeliness of payments from the State of Illinois to the Regional Office of Education #26 was deplorable as it was extremely late. This resulted in serious cash flow issues.
- The state aid accrued to the Regional Office of Education Safe School/Alternative School Programs has diminished due to decreases in enrollment.
- County support for the Regional Office of Education #26 will increase to \$95,206 for the county fiscal year, which runs from December 2011 through November, 2012. The previous year's support from the county totaled \$90,440.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

Budgetary Highlights

The Office annually adopts a budget on a basis consistent with U.S. generally accepted accounting principles when required by the granting agency. The Illinois State Board of Education reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the Illinois State Board of Education for final approval. The budget may be amended during the year utilizing procedures prescribed by the Illinois State Board of Education. Schedules showing the budget amounts compared to the Office's actual financial activity are included in supplementary information of this report.

Capital Assets

The value of capital assets increased during FY 2011 due to the addition of new assets that were higher than the depreciation of capital assets.

Economic Factors and Next Year's Budget

At the time these financial statements were prepared and audited, the Regional Office of Education #26 was aware of several existing circumstances that could affect its financial condition in the future:

- With the State of Illinois in the midst of an unprecedented financial crisis, the status of grant funding for the upcoming fiscal year is bleak at best. We are anticipating drastic cuts for many of our programs or the elimination of them.
- Many programs were suspended for a six month period in FY11 due to cash flow issues which can solely be attributed to the extremely late payments from the State of Illinois.
- The County Boards of Hancock and McDonough Counties have increased their funding slightly to our office.
- The Child and Family Connections # 13 Grant anticipates a decrease in funding which may require layoffs in that program.
- The Regional Office of Education is required to maintain a high level of liability insurance, which increases in cost yearly.
- As costs for consumers rise (energy, maintenance, etc.), there will be increasing demands for employees to have raises that match or exceed past practices. These will be difficult to honor as both counties encompassed by Regional Office of Education #26 are burdened with considerable financial challenges.

**HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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 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 Regional Office of Education #26, 130 South Lafayette Street, Suite 200, Macomb, IL 61455.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26

BASIC FINANCIAL STATEMENTS

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 699,204	\$ 31,683	\$ 730,887
Inventory	-	522,052	522,052
Due from other funds	5,032	-	5,032
Due from other governments	648,311	-	648,311
Total current assets	<u>\$ 1,352,547</u>	<u>\$ 553,735</u>	<u>\$ 1,906,282</u>
NONCURRENT ASSETS			
Capital assets, net of depreciation	<u>56,809</u>	<u>49,865</u>	<u>106,674</u>
TOTAL ASSETS	<u>\$ 1,409,356</u>	<u>\$ 603,600</u>	<u>\$ 2,012,956</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 34,500	\$ 523,174	\$ 557,674
Due to other governments	4,375	-	4,375
Due to other funds	-	5,032	5,032
Deferred revenue	579,282	-	579,282
Total current liabilities	<u>\$ 618,157</u>	<u>\$ 528,206</u>	<u>\$ 1,146,363</u>
TOTAL LIABILITIES	<u>\$ 618,157</u>	<u>\$ 528,206</u>	<u>\$ 1,146,363</u>
NET ASSETS			
Investments in capital assets, net of related debt	\$ 56,809	\$ 49,865	\$ 106,674
Unrestricted	588,836	25,529	614,365
Restricted for educational purposes	<u>145,554</u>	<u>-</u>	<u>145,554</u>
TOTAL NET ASSETS	<u>\$ 791,199</u>	<u>\$ 75,394</u>	<u>\$ 866,593</u>

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

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT	Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Program Revenues		Primary Government		Total
		Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instructional Services:						
Salaries	\$ 1,125,661	\$ -	\$ 1,049,667	\$ (75,994)	\$ -	\$ (75,994)
Benefits	429,995	-	346,072	(83,923)	-	(83,923)
Purchased services	799,947	8,378	724,048	(67,521)	-	(67,521)
Supplies and materials	106,586	1,185	107,625	2,224	-	2,224
Depreciation	27,887	-	-	(27,887)	-	(27,887)
Capital outlay	-	-	46,140	46,140	-	46,140
Other objects	317	-	233	(84)	-	(84)
Transfers - payments to other governmental units	209,822	-	209,822	-	-	-
Administrative:						
On-behalf payments	341,083	-	-	(341,083)	-	(341,083)
Total Governmental Activities	<u>\$ 3,041,298</u>	<u>\$ 9,563</u>	<u>\$ 2,483,607</u>	<u>\$ (548,128)</u>	<u>\$ -</u>	<u>\$ (548,128)</u>
Business-type Activities:						
Other	\$ 789,748	\$ 781,476	\$ -	\$ -	\$ (8,272)	\$ (8,272)
Total Business-type Activities	<u>\$ 789,748</u>	<u>\$ 781,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,272)</u>	<u>\$ (8,272)</u>
Total Primary Government	<u>\$ 3,831,046</u>	<u>\$ 791,039</u>	<u>\$ 2,483,607</u>	<u>\$ (548,128)</u>	<u>\$ (8,272)</u>	<u>\$ (556,400)</u>
			General Revenues:			
			Local sources	\$ 496,249	\$ -	\$ 496,249
			On-behalf payments	341,083	-	341,083
			Investment income	722	-	722
			Total General Revenues	<u>\$ 838,054</u>	<u>\$ -</u>	<u>\$ 838,054</u>
			Change in net assets	\$ 289,926	\$ (8,272)	\$ 281,654
			Net Assets - beginning of year	<u>501,273</u>	<u>83,666</u>	<u>584,939</u>
			Net Assets - end of year	<u>\$ 791,199</u>	<u>\$ 75,394</u>	<u>\$ 866,593</u>

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

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 JUNE 30, 2011

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 378,880	\$ 258,805	\$ 52,567	\$ 8,952	\$ 699,204
Due from other funds	218,191	-	-	-	218,191
Due from other governments	-	648,311	-	-	648,311
TOTAL ASSETS	\$ 597,071	\$ 907,116	\$ 52,567	\$ 8,952	\$ 1,565,706
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ -	\$ 34,500	\$ -	\$ -	\$ 34,500
Due to other funds	-	213,159	-	-	213,159
Due to other governments	4,375	-	-	-	4,375
Bank notes payable	-	-	-	-	-
Deferred revenue	-	559,047	22,459	-	581,506
Total liabilities	\$ 4,375	\$ 806,706	\$ 22,459	\$ -	\$ 833,540
FUND BALANCE					
Unassigned	\$ 592,696	\$ (6,084)	\$ -	\$ -	\$ 586,612
Restricted	-	106,494	30,108	8,952	145,554
Total fund balance	\$ 592,696	\$ 100,410	\$ 30,108	\$ 8,952	\$ 732,166
TOTAL LIABILITIES AND FUND BALANCE	\$ 597,071	\$ 907,116	\$ 52,567	\$ 8,952	\$ 1,565,706

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

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total fund balances - governmental funds	\$ 732,166
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.	56,809
Revenues in the Statement of Activities that do not provide current financial resources but are reported as deferred revenue in the funds	<u>2,224</u>
Net assets of governmental activities	<u>\$ 791,199</u>

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

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
REVENUES					
State sources	\$ 237,406	\$ 1,426,591	\$ -	\$ 3,868	\$ 1,667,865
Federal sources	9,353	961,123	-	-	970,476
Local sources	453,252	40,302	9,448	3,532	506,534
On-behalf payments	268,669	72,414	-	-	341,083
Total revenues	\$ 968,680	\$ 2,500,430	\$ 9,448	\$ 7,400	\$ 3,485,958
EXPENDITURES					
Instructional services:					
Salaries	\$ 169,740	\$ 989,071	\$ -	\$ -	\$ 1,158,811
Benefits	124,520	305,475	-	-	429,995
Purchased services	143,630	644,208	6,470	5,639	799,947
Supplies and materials	9,219	96,045	1,064	258	106,586
Other objects	-	317	-	-	317
Transfers - payments to other governmental units	7,537	202,285	-	-	209,822
On-behalf payments	268,669	72,414	-	-	341,083
Capital outlay	16,615	16,883	-	-	33,498
Total expenditures	\$ 739,930	\$ 2,326,698	\$ 7,534	\$ 5,897	\$ 3,080,059
Revenues over (under) expenditures	\$ 228,750	\$ 173,732	\$ 1,914	\$ 1,503	\$ 405,899
Other financing sources (uses)					
Transfers in	\$ 22,151	\$ 1,607	\$ -	\$ -	\$ 23,758
Transfers out	-	(23,758)	-	-	(23,758)
Total other financing sources (uses)	\$ 22,151	\$ (22,151)	\$ -	\$ -	\$ -
Net change in fund balances	\$ 250,901	\$ 151,581	\$ 1,914	\$ 1,503	\$ 405,899
FUND BALANCE (DEFICIT), BEGINNING					
OF YEAR (Restated- See Note 18)	341,795	(51,171)	28,194	7,449	326,267
FUND BALANCE, END OF YEAR	\$ 592,696	\$ 100,410	\$ 30,108	\$ 8,952	\$ 732,166

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

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
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 \$ 405,899

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	\$ 33,498	
Depreciation	<u>(27,887)</u>	5,611

Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds.	2,224
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Revenues providing current financial resources in the fund statements previously recognized in the Statement of Activities.	(156,958)
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Certain expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	<u>33,150</u>
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Change in net assets of governmental activities	<u><u>\$ 289,926</u></u>
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The notes to the financial statements are an integral part of this statement.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2011

	Business-type Activities Enterprise Funds		Total
	Western Area Purchasing Co-Op	Nonmajor Enterprise Funds	
Assets			
Current assets			
Cash and cash equivalents	\$ 17,206	\$ 14,477	\$ 31,683
Inventory	522,052	-	522,052
Total current assets	\$ 539,258	\$ 14,477	\$ 553,735
Noncurrent assets			
Equipment, net	\$ 2,606	\$ 9,759	\$ 12,365
Building, net	37,500	-	37,500
Total noncurrent assets	\$ 40,106	\$ 9,759	\$ 49,865
Total Assets	\$ 579,364	\$ 24,236	\$ 603,600
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 522,052	\$ 1,122	\$ 523,174
Due to other funds	-	5,032	5,032
Total liabilities	\$ 522,052	\$ 6,154	\$ 528,206
Net Assets			
Invested in capital assets, net of related debt	\$ 40,106	\$ 9,759	\$ 49,865
Unrestricted	17,206	8,323	25,529
Total Net Assets	\$ 57,312	\$ 18,082	\$ 75,394

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

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities Enterprise Funds		Totals
	Western Area Purchasing Co-Op	Nonmajor Enterprise Funds	
Operating Revenues			
Charges for services	\$ 748,487	\$ 32,989	\$ 781,476
Operating Expenses			
Salaries	\$ 32,400	\$ -	\$ 32,400
Benefits	2,898	-	2,898
Purchased services	3,872	20,259	24,131
Supplies and materials	722,766	1,914	724,680
Miscellaneous	-	617	617
Depreciation	2,762	2,260	5,022
Total operating expenses	<u>\$ 764,698</u>	<u>\$ 25,050</u>	<u>\$ 789,748</u>
Change in Net Assets	\$ (16,211)	\$ 7,939	\$ (8,272)
Net Assets, Beginning of year	<u>73,523</u>	<u>10,143</u>	<u>83,666</u>
Net Assets, End of year	<u>\$ 57,312</u>	<u>\$ 18,082</u>	<u>\$ 75,394</u>

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

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities Enterprise Funds		
	Western Area Purchasing Co-Op	Nonmajor Enterprise Funds	Totals
Cash Flows from Operating Activities:			
Receipts from customers	\$ 748,487	\$ 33,430	\$ 781,917
Payments to suppliers and providers of goods and services	(726,638)	(16,636)	(743,274)
Payments to employees	(35,298)	-	(35,298)
Net cash provided (used) by operating activities	<u>\$ (13,449)</u>	<u>\$ 16,794</u>	<u>\$ 3,345</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	\$ -	\$ (10,364)	\$ (10,364)
Net cash used by capital and related financing activities	<u>\$ -</u>	<u>\$ (10,364)</u>	<u>\$ (10,364)</u>
Net increase (decrease) in cash and cash equivalents	\$ (13,449)	\$ 6,430	\$ (7,019)
Cash and cash equivalents - Beginning of year	<u>30,655</u>	<u>8,047</u>	<u>38,702</u>
Cash and cash equivalents - End of year	<u>\$ 17,206</u>	<u>\$ 14,477</u>	<u>\$ 31,683</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (16,211)	\$ 7,939	\$ (8,272)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	2,762	2,260	5,022
Decrease in assets:			
Inventory	22,519	-	22,519
Due from other governments	-	441	441
Increase/(Decrease) in liabilities:			
Accounts payable	(22,519)	1,122	(21,397)
Due to other funds	-	5,032	5,032
Net cash provided (used) by operating activities	<u>\$ (13,449)</u>	<u>\$ 16,794</u>	<u>\$ 3,345</u>

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

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 12,160</u>
TOTAL ASSETS	<u><u>\$ 12,160</u></u>
LIABILITIES	
Due to other governments	<u>\$ 12,160</u>
TOTAL LIABILITIES	<u><u>\$ 12,160</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The accounting policies of Hancock/McDonough Regional Office of Education #26 (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).

Reporting Entity

Hancock/McDonough Regional Office of Education #26 was created by Illinois Public Act 88-89, as amended. The ROE operates under the School Code (Articles 3 and 3A of *Illinois Compiled Statutes*, Chapter 105). The ROE encompasses Hancock and McDonough Counties. The voters of Hancock and McDonough Counties elect the Regional Superintendent of Schools. The Regional Superintendent of Schools (Superintendent) serves as chief administrative officer of the ROE and is elected pursuant to Article 3, *Illinois Compiled Statutes*, Chapter 105.

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

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of any monies distributed to treasurers, board presidents, clerks and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education #26's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required by law.

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Reporting Entity - continued

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

For the period ended June 30, 2011, the Regional Office of Education #26 applied for, received, and administered numerous State and federal programs and grants in assistance of the educational activities of the school districts in the region. Such activities are reported as a single major special revenue fund (Education Fund).

The ROE's financial statements include all funds of the ROE.

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 ROE has developed criteria to determine whether outside agencies with activities which benefit the citizens of the region, including joint agreements which serve pupils from numerous school districts, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the ROE exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships. The blended component units described below are included in the ROE's reporting entity because of the significance of their operational or financial relationships with the ROE.

- *Western Area Purchasing Co-Op* is a joint agreement used to reduce costs to school districts by purchasing various supplies in larger quantities. School districts in West-Central Illinois place orders with the Co-Op, which accumulates the orders and purchases large quantities for distribution to the districts. The purchasing Co-Op is a discretionary activity fund.
- *Video Co-Op* is a joint agreement administered by the ROE, which maintains an inventory of videocassette tapes. The tapes and tape players are available for check-out by each of the school districts serviced by Regional Office of Education #26. The Video Co-Op is a discretionary activity fund.
- *Hancock/McDonough Alternative School and Alternative Training* – Used to account for State revenues and expenditures paid to provide an alternative education program in Hancock and McDonough Counties.
- *Gifted Co-Op Fund* – Used to account for a joint agreement for providing gifted instruction and coordination to school districts within ROE #26's region.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Government-wide and Fund Financial Statements

Furthermore, the ROE does not consider itself to be a component unit of any other entity.

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.

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.

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. 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.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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 this fund 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.

The ROE reports the following major governmental funds:

General Fund - The General Fund is used to account for all financial resources in the Region except for those required to be accounted and reported for in other funds. The ROE's General Fund accounts include the following:

- *County Funds* – Used to account for funds provided by the County Boards of Hancock and McDonough Counties for general office operation and maintenance.
- *Interest Fund* – Used to account for interest earned on the Distributive Fund for the mutual benefit of each school district in Hancock and McDonough Counties.
- *Regional Programs Funds* – Accounts for the cost of operating certain programs not paid for through special revenues or County funds and for interest earned on the Distributive Fund.
- *Office Administration Fund* – Accounts for indirect costs of operating programs.
- *Directory Fund* – Funded by contributions from local school districts to prepare an ROE directory.
- *Hancock/McDonough Alternative Schools* – Used to account for State revenues and expenditures paid to provide an alternative education program in Hancock and McDonough Counties.

Institute Fund – Used to account for examination, registration and renewal fees and to defray expenses incidental to teacher's institutes, workshops and professional meetings.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Education Fund – The Education Fund includes proceeds of specific revenue sources that are restricted by grant agreements or contracts to expenditures for specified purposes supporting education enhancement programs. The ROE's Education Fund accounts include the following:

- *Early Childhood Grants* – Used to account for State grant proceeds for the early childhood education block grants.
- *Even Start* – Used to account for an educational opportunity program.
- *Workforce Investment* – Used to account for coordination of optional education and vocational programs.
- *Novel* – Used to account for local fees associated with the ROE's Novel project.
- *Local Donations* – Used to account for donations given to assist the McKinney Education For Homeless Grant and Child and Family Connections Grant.
- *Child and Family Connections* – Used to account for a contractual agreement with the Illinois Department of Human Services to provide a caseworker for the purpose of monitoring teen parents receiving Aid to Dependent Children.
- *Hearing/Vision Screening* – Used to account for a hearing screenings program funded through the Illinois Department of Public Aid.
- *United Way* – Used to account for funding from local United Way for child birth classes and materials.
- *Pioneer Grant* – Used to promote mathematics and science in the Macomb Area.
- *Truants Alternative Optional Education* – Used to account for the cost of providing tutoring services and to encourage students to stay in school.
- *Regional Safe Schools* – Used to account for an alternative schools program of centralized instructional programs for students with specialized needs.
- *Title I - Reading First Part B SEA Funds*-Used to account for a program supporting reading initiatives.
- *Title IV – Safe and Drug Free Formula* – Used to account for a regional, multi-district program on drug and alcohol abuser education and prevention for students throughout all grade levels (Pre-K thru 12).
- *McKinney Education for Homeless Children/ARRA- McKinney Education for Homeless Children* – Used to account for the McKinney Education for Homeless Grant, a program to facilitate the enrollment, attendance and success of homeless youths in school.
- *ROE Technology Maintenance* – Used to account for revenues and expenditures of the ISBE Technology Maintenance grant program.
- *Family Literacy*-Used to account for assistance provided to reading programs.
- *Regional System Provider/Federal System* – Used to account for federal revenues to support a regionalized system of support to assist schools in academic difficulty.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

- *Truants Alternative Optional Education Program (TAOEP) Training* – Used to account for State grant proceeds expended to train individuals in Truant Alternative Education.
- *Teen Court* – Used to account for Department of Human Services funding of a project designed to help teens better understand the court system in which teens act as the jury in certain legal cases.
- *Gifted Co-Op* – Used to account for a joint agreement for providing gifted instruction and coordination to school districts within ROE #26's region.
- *Teaching American History Grant* – Used to account for federal grant proceeds received in the ROE's project to conduct nationally significant programs to improve the quality of education, assist all students to meet challenging State content standards, and contribute to the achievement of elementary and secondary students.
- *Adult Learning Resource Center* – Used to account for the ROE's subcontract with Schaumburg CUSD #54's McKinney Education for Homeless Grant.
- *Teen Parent Services* – Used to account for Department of Human Services funding for various programs for teen parents.
- *ARRA Title I- School Improvement* - Used to account for federal grant to improve the lowest performing schools.
- *ARRA Education Jobs Fund Program* - Used to account for program to save or create early childhood, elementary and secondary education jobs to provide educational and related services.
- *Tech Illinois* – Used to account for program to enhance education through technology.
- *WC4* – Used to develop and implement a regional improvement plan.

Additionally, the ROE reports the following fund types:

Governmental

Non-Major Special Revenue Funds - Special Revenue Funds are used to account and report the proceeds of specific revenue source (other than fiduciary or major capital projects) that are legally restricted to expenditures for specified purposes. The ROE's nonmajor Special Revenue Funds include the following:

- *General Education Development (GED) Fund* – Used to account for fees and expenditures incidental to administering the high school equivalency testing program.
- *Bus Driver Training* – Used to account for fees and expenditures incidental to conducting courses of instruction for school bus drivers pursuant to the standards established by the Illinois Secretary of State.
- *Supervisory Fund* – Used to account for travel and other expenditures necessary to perform the duty of supervising the school districts in the region.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Proprietary

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 utilizes the following proprietary fund:

- *Western Area Purchasing Co-Op* is a joint agreement used to reduce costs to school districts by purchasing various supplies in larger quantities. School districts in West-Central Illinois place orders with the Co-Op, which accumulates the orders and purchases large quantities for distribution to the districts. As noted previously, the purchasing Co-Op is a discretionary activity fund.

Additionally, the ROE reports the following nonmajor Proprietary Funds:

- *Video Co-Op* is a joint agreement administered by the ROE, which maintains an inventory of videocassette tapes. The tapes and tape players are available for check-out by each of the school districts serviced by Regional Office of Education #26. As noted previously, the VIDEO Co-Op is a discretionary activity fund.
- *Workshop Fund* is used to account for all activity for workshops managed by the ROE.
- *Fingerprinting Fund* is used to account for activity for the service of fingerprinting.

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:

- *Distributive Fund* – The resources in this fund are received by and passed through the ROE to their owners. Entities whose resources are received by and passed through the distributive fund include the Western Area Career System, West Central Illinois Special Ed, and Regional Office of Education #26.
- *State Superintendent Fund* – Accounts for funds received from people applying for teaching certificates. The funds are received by the ROE which, in turn, sends them to the State Superintendent of Education on the individual's behalf. Since the State Superintendent of Education does not accept personal checks from the individuals, the ROE accepts their checks and then remits a check to the State on their behalf.
- *Regional Board of School Trustees Fund* – Accounts for the marketing and disposal of school properties belonging to local education agencies and for expenses related to detachment petitions.
- *Area III Superintendents Fund* – Accounts for all the Area III regional superintendents. Membership fees are used to provide meetings and seminars for disseminating current information on administration issues.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

- *Hancock County Principal Fund* – Accounts for all the Hancock County principals. Fees are used to provide meetings and seminars for disseminating current information on administration issues.
- *Rotary Scholarship Fund* – Accounts for the donations from the rotary to give scholarships to qualifying individuals to help in the cost of GED testing.

Budgetary Data

The grant budgets are submitted to grantor agencies for approval and funding; however, no legal budget is required or adopted. A funding agreement is entered into upon approval of the budget by the grantor. Any subsequent budget revisions must be approved by the grantor. The following accounts prepare budgets:

Early Childhood Block Grant	McKinney Education for Homeless
Early Childhood Grant	Children
Even Start	Truants Alternative Optional Education
Truants Alternative Optional Education	Program Training
Regional Safe Schools	Teaching American History Grant
ARRA- Title I – School Improvement & Accountability	

Budgets for the other funds of the ROE are not legally required and have not been prepared. Accordingly, no actual to budget comparison is included in the basic financial statements. The actual to budget comparisons are prepared on the modified accrual basis of accounting. The ROE is required to report, in its financial statements, payments made by the State of Illinois to the Teachers' Retirement System. These “on-behalf” payments which were not required to be budgeted, are recorded in the Education Fund. These payments were recorded as both revenues and expenditures in accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*.

Cash and Cash Equivalents

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

Inventories

Inventories are carried at the lower of cost or market, cost being determined on the first-in, first-out (FIFO) method.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Due From Other Governments

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

Capital Assets

Capital assets, which include buildings, software, and furniture and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. General fixed 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 fixed 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 fixed 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 fixed assets, as applicable.

Depreciation is computed using the straight-line method over the following estimated useful lives; software over 3 years, furniture and equipment over 5 years, and buildings over 40 years.

Net Assets

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

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

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

Restricted for educational purposes – Net assets that are subject to outside restrictions which are not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provision or enabling legislation. Special Revenue Funds are by definition restricted for those specified purposes.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Fund Balance

According to Government Accounting Standards, fund balances are to be classified into five major classifications; Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. Below are definitions and a reconciliation of how these balances are reported.

Nonspendable Fund Balance- The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. Due to the cash basis nature of the ROE, all such items are expensed at the time of purchase, so there is nothing to report for this classification.

Restricted Fund Balance- The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws, and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Special Revenue Funds are by definition restricted for those specified purposes. The funds that make up Restricted Fund Balance are: Institute Fund, Even Start, Novel, Local Donations, Hearing/Vision Screening, United Way, Title IV- Safe and Drug Free Formula, McKinney Education for Homeless Children, ROE Technology Maintenance, Family Literacy, General Education Development Fund, and Bus Driver Training.

Committed Fund Balance- The committed fund balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts. The ROE has nothing to report for this classification.

Assigned Fund Balance- The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted or committed. The ROE has nothing to report for this classification.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Fund Balance - Continued

Unassigned Fund Balance- The unassigned fund balance classification is the residual classification for amounts in the General Operating Funds for amounts that have not been restricted, committed, or assigned to specific purposes within the Governmental Fund. The funds that make up Unassigned Fund Balance are: County Funds, Interest Fund, Regional Programs Fund, Office Administration Fund, Directory Fund, Hancock/McDonough Alternative Schools, Teen Court and Teen Parent Services.

Unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, next assigned balances, and finally act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

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.

2. USE OF FUNDING SOURCES

Under the terms of grant agreements, the ROE funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. It is the policy of the ROE to first apply cost-reimbursement grant resources to such programs and then general revenues.

3. 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.

NOTES TO THE FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS - Continued

Bank Deposits

At June 30, 2011, the government-wide and agency fund's carrying amounts of the ROE's various bank deposits totaled \$730,887 and \$12,160, respectively. The bank balances totaled \$854,945. Included in the bank balance is \$10,243 invested in the Illinois Funds. The ROE has obtained sufficient collateral for any excess cash on deposit.

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 that funds 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 ROE invests solely in investments authorized by the Public Funds Investment Act, 30 ILCS 235/2.

Credit Risk - The Illinois Funds (the Fund) is an external investment pool authorized by the Illinois General Assembly. The Fund is exempt from registering with the Securities and Exchange Commission. The Fund is rated by Standard and Poors upon the request of the Fund's management. The most recent money market rating issued by Standard and Poors was AAAM. The fair value of the position in the Illinois Funds Investment Pool is the same as the value of the pool shares. Illinois State Statute provides the Illinois State Treasurer with regulatory oversight over the Pool.

4. 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
Software and equipment	\$ 202,157	\$ 33,498	\$ -	\$ 235,655
Less accumulated depreciation for:				
Software and equipment	<u>150,959</u>	<u>27,887</u>	<u>-</u>	<u>178,846</u>
Total capital assets, net of accumulated depreciation	<u>\$ 51,198</u>	<u>\$ 5,611</u>	<u>\$ -</u>	<u>\$ 56,809</u>

Depreciation was charged to the Instructional Services activity.

NOTES TO THE FINANCIAL STATEMENTS

4. CAPITAL ASSETS - Continued

Business-type Activities

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

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Building	\$ 50,000	\$ -	\$ -	\$ 50,000
Software and equipment	25,568	10,364	-	35,932
Less accumulated depreciation for:				
Building	11,250	1,250	-	12,500
Software and equipment	19,795	3,772	-	23,567
Total capital assets, net of accumulated depreciation	<u>\$ 44,523</u>	<u>\$ 5,342</u>	<u>\$ -</u>	<u>\$ 49,865</u>

Depreciation was charged to the Other activity.

5. LONG-TERM DEBT

The ROE had recorded a liability associated with compensated absences in prior fiscal years. During the fiscal year ended June 30, 2011, the ROE combined the unpaid compensated absences with unused sick time, per agreement with the State of Illinois. At June 30, 2011, the balance of compensated absences account was \$0.

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Compensated absences	<u>\$ 33,150</u>	<u>\$ -</u>	<u>\$ 33,150</u>	<u>\$ -</u>

6. EMPLOYEE'S RETIREMENT PLANS

A. Illinois Municipal Retirement Fund

Plan Description. The ROE's defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The ROE plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

NOTES TO THE FINANCIAL STATEMENTS

6. EMPLOYEE’S RETIREMENT PLANS – Continued

A. Illinois Municipal Retirement Fund - continued

Funding Policy. As set by statute, the ROE regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2010 was 10.62 percent. The ROE also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. The required contribution for the calendar year 2010 was \$74,692.

Three-Year Trend Information for the Regular Plan

Calendar Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12/31/10	\$ 74,692	100%	\$ -
12/31/09	75,131	100%	-
12/31/08	72,618	100%	-

The required contribution for 2010 was determined as part of the December 31, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008 included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.0% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The regular plan’s unfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on an open ten year basis.

Funded Status and Funding Progress. As of December 31, 2010, the most recent actuarial valuation date, the regular plan was 93.35 percent funded. The actuarial accrued liability for benefits was \$1,403,107 and the actuarial value of assets was \$1,309,837, resulting in an underfunded actuarial accrued liability (UAAL) of \$93,270. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$703,311 and the ratio of the UAAL to the covered payroll was 13 percent.

NOTES TO THE FINANCIAL STATEMENTS

6. EMPLOYEE'S RETIREMENT PLANS – Continued

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

B. Illinois Teachers' Retirement System (TRS)

The ROE participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago.

The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains primary responsibility for the funding of 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 through June 30, 2011 was 9.4 percent of creditable earnings. The same contribution rate applies to members whose first contributing service is on or after January 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4 percent for the years ended June 30, 2010 and 2009.

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

- On Behalf Contributions to TRS

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 \$130,505 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 (\$159,621) and 17.08 percent (\$83,152), respectively.

NOTES TO THE FINANCIAL STATEMENTS

6. EMPLOYEE'S RETIREMENT PLANS – Continued

B. Illinois Teachers' Retirement System (TRS) - continued

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

- 2.2 Formula Contributions

Employers contributed 0.58 percent of creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ending June 30, 2011 were \$2,214. Contributions for the years ended June 30, 2010 and June 30, 2009, were \$2,897 and \$2,824, 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 in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS.

For the year ended June 30, 2011, the employer pension contribution was 23.10 percent of salaries paid from federal and special trust funds. For the year 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 \$41,391 were paid from federal and special trust funds that required employer contributions of \$9,561. For the years ended June 30, 2010 and June 30, 2009, required ROE contributions were \$14,907 and \$13,018, respectively.

- Early Retirement Option

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 \$-0- to TRS for employer contributions under the ERO program. For the years ended June 30, 2010 and June 30, 2009, the ROE made no payments in employer ERO contributions.

NOTES TO THE FINANCIAL STATEMENTS

6. EMPLOYEE'S RETIREMENT PLANS – Continued

B. Illinois Teachers' Retirement System (TRS) – Continued

- Salary increases over 6 percent and excess sick leave.

If an employer grants salary increases over 6 percent and those salaries are used to calculate a retiree's final average salary, the employer makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases up to 6 percent. For the years ended June 30, 2011, 2010, and 2009, the ROE paid no TRS for employer contributions due on salary increases in excess of 6 percent, respectively.

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

For the years ended June 30, 2011, 2010 and 2009, there were no sick leave days granted in excess of the normal annual allotment.

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, IL 62794-9253. The most current report is also available on the TRS Website at <http://trs.illinois.gov>.

C. 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 it does not provide vision, dental, or life insurance benefits to annuitants of 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 only be made by legislative action with the Governor's approval.

NOTES TO THE FINANCIAL STATEMENTS

6: EMPLOYEE'S RETIREMENT PLANS - continued

C. Teacher Health Insurance Security Fund – continued

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 to make a contribution to THIS Fund.

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

- **On behalf payments to the 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 the THIS Fund from active members which were .88 percent of pay during the year ended June 30, 2011. State of Illinois contributions were \$3,359 and the ROE recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the year ended June 30, 2010 was .84 percent of pay. State contributions on behalf of ROE employees was \$4,196. Had the Regional Office of Education #26 recognized revenue and expenditures for State contributions to match active member contributions during the year ended June 30, 2009, under current standards, the contribution match would have been .84 percent of pay or \$4,089.

- **Employer contributions to the THIS Fund.** The ROE also makes contributions to the THIS Fund. The employer THIS Fund contribution was .66 percent during the year ended June 30, 2011, and .63 percent for the years ended June 30, 2010 and June 30, 2009. For the year ended June 30, 2011, the ROE paid \$2,519 to the THIS Fund. For the years ended June 30, 2010 and June 30, 2009, the ROE paid \$3,147 and \$3,067 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 Ave., Springfield, IL 62763-3838.

7. OTHER POSTEMPLOYMENT RETIREMENT BENEFITS

The Regional Office of Education #26 allows employees, who retire through the Regional Office of Education #26's plan disclosed in Note 6, the option to continue in the Regional Office of Education #26's health insurance plan as required by the Illinois Compiled Statutes, but the retiree pays the full premium for the health insurance. This has not created an implicit subsidy as defined by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, as the Regional Office of Education #26's health plan is considered a community rated plan. In addition, the Regional Office of Education #26 has no explicit subsidy as defined in GASB Statement No. 45.

NOTES TO THE FINANCIAL STATEMENTS

8. DUE FROM OTHER GOVERNMENTS

A summary of amounts due from other governments at June 30, 2011 follows:

	<u>Amounts due in less than 60 days</u>	<u>Amounts due in more than 60 days</u>
Education Fund:		
Illinois Department of Human Services	\$ 64,838	\$ 9,862
U.S. Department of Education	36,739	-
Illinois State Board of Education	460,115	57,627
Two Rivers Professional Development Center	11,604	-
Adult Learning Resource Center	<u>7,526</u>	<u>-</u>
Total Education Fund	<u>\$580,822</u>	<u>\$ 67,489</u>

The total due from other governments is \$648,311.

9. DUE TO OTHER GOVERNMENTS

A summary of amounts due to other governments at June 30, 2011 follows:

General Fund:	
Hancock/McDonough Alternative Schools	<u>\$4,375</u>
Total General Fund	<u>\$4,375</u>
Agency Funds:	
State Superintendent Fund	\$ 1,291
Regional Board of School Trustees	1,773
Area III Superintendents	3,908
Hancock County Principal Fund	4,438
Rotary Scholarship Fund	<u>750</u>
Total Agency Funds	<u>\$12,160</u>

10. INTERFUND RECEIVABLES AND 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>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Education Fund	\$ -	\$213,159
General Fund	218,191	-
Proprietary Fund	<u>-</u>	<u>5,032</u>
Total	<u>\$218,191</u>	<u>\$218,191</u>

NOTES TO THE FINANCIAL STATEMENTS

11. 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 Hancock and McDonough Counties. Claims from these risks have not exceeded commercial insurance coverage during the current fiscal year and the previous two fiscal years.

12. 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 and funds which over-expended appropriations during the year are required to be disclosed.

The following funds had a deficit fund balance at June 30, 2011:

Teen Court	\$3,860
Teen Parent Services	2,224

13. ON-BEHALF SALARIES AND BENEFITS PAYMENTS

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	\$ 96,435
Regional Superintendent benefits (Includes State paid insurance)	34,552
Assistant Regional Superintendent salary	86,791
Assistant Regional Superintendent benefits (Includes State paid insurance)	<u>31,766</u>
Total	<u>\$249,544</u>

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

These awards are included in the financial statements of the General Revenue Fund as on-behalf payments. Included in the benefits above is \$42,325 of TRS contributions. In addition to the total \$249,544 above, TRS contributions in the Education Fund include \$72,414, and the General fund also includes TRS contributions of \$15,766 and THIS contribution of \$3,359 for a total of \$341,083 for the year ended June 30, 2011.

NOTES TO THE FINANCIAL STATEMENTS

14. LEASE OBLIGATIONS

The ROE leases classroom and office space from various locations. Future minimum rental payments under non-cancellable operating leases are as follows:

2012	\$65,169
2013	\$17,023
2014	\$ 6,884
2015	\$ 7,090

Rent expense for the year ended June 30, 2011 was \$77,909.

15. NEW ACCOUNTING PRONOUNCEMENTS

In 2011, the ROE adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; GASB Statement No. 59, *Financial Instruments Omnibus*; and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The ROE implemented these standards during the year; however, there was no significant impact of the implementation of GASB No. 59 or No. 62. See Note 1 for implementation of GASB Statement No. 54.

16. TRANSFERS

The Hancock/McDonough Alternative Schools (\$21,000), Regional Programs Fund (\$1,151), Early Childhood Block Grant (\$875), and Early Childhood Grant (\$732) transferred in money from Child & Family Connections (\$1,862), Regional System Provider/Federal System (\$21,000), and Truants Alternative Optional Education Program Training (\$896).

17. OPERATING LINE OF CREDIT

The ROE obtained an operating line of credit on May 26, 2010, secured by substantially all of the ROE's assets. The line was allowed to expire in January, 2011.

18. FUND RECLASSIFICATION

During the fiscal year 2011, the ROE implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which required certain programs and funds to be reclassified and beginning fund balances to be restated. The Hancock/McDonough Alternative Schools program was moved from an Educational Fund Account to a General Fund Account with a beginning fund balance change of \$263,165.

19. SUBSEQUENT EVENTS

The ROE assessed events that have occurred subsequent to June 30, 2011 through April 26, 2012, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustments to or disclosure in the financial statements.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26

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

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
ILLINOIS MUNICIPAL RETIREMENT FUND (IMRF) - REQUIRED SUPPLEMENTARY
INFORMATION
SCHEDULE OF FUNDING PROGRESS
(Unaudited)
JUNE 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2010	\$ 1,309,837	\$ 1,403,107	\$ 93,270	93.35%	\$ 703,311	13.26 %
12/31/2009	1,197,214	1,424,434	227,220	84.05%	822,901	27.61 %
12/31/2008	1,072,190	1,225,464	153,274	87.49%	803,302	19.08 %

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$1,373,786.
On a market basis, the funded ratio would be 97.91%.

See Accompanying Independent Auditors' Report

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26

OTHER SUPPLEMENTARY INFORMATION

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
GENERAL FUND ACCOUNTS
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2011

	County Funds	Interest Fund	Regional Programs Fund	Office Administration Fund	Directory Fund	Hancock/ McDonough Alternative Schools	Totals
Assets							
Cash and cash equivalents	\$ 41,020	\$ 34,948	\$ 57,324	\$ 166	\$ 5,755	\$ 239,667	\$ 378,880
Due from other funds	-	-	5,032	-	-	213,159	218,191
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 41,020</u>	<u>\$ 34,948</u>	<u>\$ 62,356</u>	<u>\$ 166</u>	<u>\$ 5,755</u>	<u>\$ 452,826</u>	<u>\$ 597,071</u>
Liabilities and Fund Balance							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-	-	4,375	4,375
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,375</u>	<u>\$ 4,375</u>
Fund Balance							
Unassigned	<u>\$ 41,020</u>	<u>\$ 34,948</u>	<u>\$ 62,356</u>	<u>\$ 166</u>	<u>\$ 5,755</u>	<u>\$ 448,451</u>	<u>\$ 592,696</u>
Total Liabilities and Fund Balance	<u>\$ 41,020</u>	<u>\$ 34,948</u>	<u>\$ 62,356</u>	<u>\$ 166</u>	<u>\$ 5,755</u>	<u>\$ 452,826</u>	<u>\$ 597,071</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
GENERAL FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	County Funds	Interest Fund	Regional Programs Fund	Office Administration Fund	Directory Fund	Hancock/ McDonough Alternative Schools	Totals
Revenues							
State sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 237,406	\$ 237,406
Federal sources	-	-	7,537	-	-	1,816	9,353
Local sources	102,345	-	284,685	6,084	1,000	59,138	453,252
On-behalf payments	-	-	252,903	-	-	15,766	268,669
Total Revenues	\$ 102,345	\$ -	\$ 545,125	\$ 6,084	\$ 1,000	\$ 314,126	\$ 968,680
Expenditures							
Salaries	\$ 54,274	\$ -	\$ 64,971	\$ -	\$ -	\$ 50,495	\$ 169,740
Benefits	21,383	-	81,392	-	-	21,745	124,520
Purchased services	4,889	-	94,433	-	-	44,308	143,630
Supplies and materials	1,908	-	399	5,001	1,000	911	9,219
Transfers - payments to other governmental units	-	-	7,537	-	-	-	7,537
Capital outlay	-	-	-	-	-	16,615	16,615
On-behalf payments	-	-	252,903	-	-	15,766	268,669
Total Expenditures	\$ 82,454	\$ -	\$ 501,635	\$ 5,001	\$ 1,000	\$ 149,840	\$ 739,930
Revenues over(under) expenditures	\$ 19,891	\$ -	\$ 43,490	\$ 1,083	\$ -	\$ 164,286	\$ 228,750
Other Financing Sources/(Uses)							
Transfers in	\$ -	\$ -	\$ 1,151	\$ -	\$ -	\$ 21,000	\$ 22,151
Transfers out	-	-	-	-	-	-	-
	\$ -	\$ -	\$ 1,151	\$ -	\$ -	\$ 21,000	\$ 22,151
Net change in fund balances	\$ 19,891	\$ -	\$ 44,641	\$ 1,083	\$ -	\$ 185,286	\$ 250,901
Fund Balance (Deficit), Beginning of year- (Restated- See Note 18)	21,129	34,948	17,715	(917)	5,755	263,165	341,795
Fund Balance (Deficit), End of year	\$ 41,020	\$ 34,948	\$ 62,356	\$ 166	\$ 5,755	\$ 448,451	\$ 592,696

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2011

	Early Childhood Block Grant	Early Childhood Grant	Even Start	Workforce Investment	Novel
Assets					
Cash and cash equivalents	\$ -	\$ 7,127	\$ 27,830	\$ -	\$ 95,659
Due from other funds	-	-	-	-	-
Due from other governments	112,289	156,978	-	-	-
Total Assets	\$ 112,289	\$ 164,105	\$ 27,830	\$ -	\$ 95,659
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	12,830	-	-	-	-
Due to other governments	-	-	-	-	-
Deferred revenue	99,459	164,105	27,659	-	-
Total Liabilities	\$ 112,289	\$ 164,105	\$ 27,659	\$ -	\$ -
Fund Balance					
Restricted	\$ -	\$ -	\$ 171	\$ -	\$ 95,659
Unassigned	-	-	-	-	-
Total Fund Balance (Deficit)	\$ -	\$ -	\$ 171	\$ -	\$ 95,659
Total Liabilities and Fund Balance	\$ 112,289	\$ 164,105	\$ 27,830	\$ -	\$ 95,659

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2011

	Local Donations	Child & Family Connections	Hearing/ Vision/ Screening	United Way	Pioneer Grant	Truants Alternative Optional Education
Assets						
Cash and cash equivalents	\$ 2,858	\$ -	\$ 2,713	\$ 822	\$ 13,362	\$ -
Due from other funds	-	-	-	-	-	-
Due from other governments	-	48,800	-	-	-	100,916
Total Assets	\$ 2,858	\$ 48,800	\$ 2,713	\$ 822	\$ 13,362	\$ 100,916
Liabilities and Fund Balance						
Liabilities						
Accounts payable	\$ -	\$ 1,152	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	42,045	-	-	-	89,615
Due to other governments	-	-	-	-	-	-
Deferred revenue	-	5,603	-	-	13,362	11,301
Total Liabilities	\$ -	\$ 48,800	\$ -	\$ -	\$ 13,362	\$ 100,916
Fund Balance						
Restricted	\$ 2,858	\$ -	\$ 2,713	\$ 822	\$ -	\$ -
Unassigned	-	-	-	-	-	-
Total Fund Balance (Deficit)	\$ 2,858	\$ -	\$ 2,713	\$ 822	\$ -	\$ -
Total Liabilities and Fund Balance	\$ 2,858	\$ 48,800	\$ 2,713	\$ 822	\$ 13,362	\$ 100,916

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2011

	Regional Safe Schools	Title I - Reading First Part B SEA Funds	Title IV - Safe and Drug Free Formula	ARRA McKinney Education for Homeless Children	McKinney Education for Homeless Children
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ 632	\$ 1,884	\$ 15,916
Due from other funds	-	-	-	-	-
Due from other governments	30,194	-	-	-	-
Total Assets	\$ 30,194	\$ -	\$ 632	\$ 1,884	\$ 15,916
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	9,178	-	-	-	-
Due to other governments	-	-	-	-	-
Deferred revenue	21,016	-	-	1,884	14,747
Total Liabilities	\$ 30,194	\$ -	\$ -	\$ 1,884	\$ 14,747
Fund Balance					
Restricted	\$ -	\$ -	\$ 632	\$ -	\$ 1,169
Unassigned	-	-	-	-	-
Total Fund Balance (Deficit)	\$ -	\$ -	\$ 632	\$ -	\$ 1,169
Total Liabilities and Fund Balance	\$ 30,194	\$ -	\$ 632	\$ 1,884	\$ 15,916

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2011

	ROE Technology Maintenance	Family Literacy	Regional System Provider/ Federal System	Truants Alternative Optional Education Program Training	Teen Court
Assets					
Cash and cash equivalents	\$ 1,733	\$ 737	\$ 7,651	\$ 67,111	\$ -
Due from other funds	-	-	-	-	-
Due from other governments	-	-	11,604	81,140	13,460
Total Assets	\$ 1,733	\$ 737	\$ 19,255	\$ 148,251	\$ 13,460
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 2,960	\$ -	\$ -
Due to other funds	-	-	-	-	13,460
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	16,295	148,251	3,860
Total Liabilities	\$ -	\$ -	\$ 19,255	\$ 148,251	\$ 17,320
Fund Balance					
Restricted	\$ 1,733	\$ 737	\$ -	\$ -	\$ -
Unassigned	-	-	-	-	(3,860)
Total Fund Balance (Deficit)	\$ 1,733	\$ 737	\$ -	\$ -	\$ (3,860)
Total Liabilities and Fund Balance	\$ 1,733	\$ 737	\$ 19,255	\$ 148,251	\$ 13,460

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2011

	Gifted Co-Op	Teaching American History Grant	Adult Learning Resource Center	Teen Parent Services	ARRA Title I - School Improvement
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	-	-	-	-
Due from other governments	-	36,739	7,526	12,440	36,225
Total Assets	\$ -	\$ 36,739	\$ 7,526	\$ 12,440	\$ 36,225
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ -	\$ 30,388	\$ -	\$ -	\$ -
Due to other funds	-	6,351	1,210	8,662	29,808
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	6,316	6,002	6,417
Total Liabilities	\$ -	\$ 36,739	\$ 7,526	\$ 14,664	\$ 36,225
Fund Balance					
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned	-	-	-	(2,224)	-
Total Fund Balance (Deficit)	\$ -	\$ -	\$ -	\$ (2,224)	\$ -
Total Liabilities and Fund Balance	\$ -	\$ 36,739	\$ 7,526	\$ 12,440	\$ 36,225

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2011

	ARRA Education Jobs Fund Program	Tech Illinois	WC4	Totals
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 12,770	\$ 258,805
Due from other funds	-	-	-	-
Due from other governments	-	-	-	648,311
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,770</u>	<u>\$ 907,116</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 34,500
Due to other funds	-	-	-	213,159
Due to other governments	-	-	-	-
Deferred revenue	-	-	12,770	559,047
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,770</u>	<u>\$ 806,706</u>
Fund Balance				
Restricted	\$ -	\$ -	\$ -	\$ 106,494
Unassigned	-	-	-	(6,084)
Total Fund Balance (Deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,410</u>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,770</u>	<u>\$ 907,116</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	Early Childhood Block Grant	Early Childhood Grant	Even Start	Workforce Investment	Novel
Revenues					
State sources	\$ 223,809	\$ 254,163	\$ -	\$ -	\$ -
Federal sources	-	-	102,200	11,627	-
Local sources	96	-	-	-	30,041
On-behalf payments	-	25,800	-	-	-
Total Revenues	<u>\$ 223,905</u>	<u>\$ 279,963</u>	<u>\$ 102,200</u>	<u>\$ 11,627</u>	<u>\$ 30,041</u>
Expenditures					
Salaries	\$ 86,784	\$ 132,144	\$ 53,678	\$ -	\$ -
Benefits	32,987	22,389	19,985	-	-
Purchased services	32,483	42,847	20,655	3	-
Supplies and materials	8,234	23,806	7,053	804	-
Other objects	-	-	-	-	-
Transfers - payments to other governmental units	-	-	-	-	-
Capital outlay	-	-	829	-	-
On-behalf payments	-	25,800	-	-	-
Total Expenditures	<u>\$ 160,488</u>	<u>\$ 246,986</u>	<u>\$ 102,200</u>	<u>\$ 807</u>	<u>\$ -</u>
Revenues over (under) expenditures	<u>\$ 63,417</u>	<u>\$ 32,977</u>	<u>\$ -</u>	<u>\$ 10,820</u>	<u>\$ 30,041</u>
Other Financing Sources/(Uses)					
Transfers in	\$ 875	\$ 732	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-
	<u>\$ 875</u>	<u>\$ 732</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 64,292	\$ 33,709	\$ -	\$ 10,820	\$ 30,041
Fund Balance, Beginning of year (Restated- See Note 18)	<u>(64,292)</u>	<u>(33,709)</u>	<u>171</u>	<u>(10,820)</u>	<u>65,618</u>
Fund Balance, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171</u>	<u>\$ -</u>	<u>\$ 95,659</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	Local Donations	Child & Family Connections	Hearing/ Vision Screening	United Way	Pioneer Grant
Revenues					
State sources	\$ -	\$ 487,047	\$ -	\$ -	\$ -
Federal sources	-	66,812	-	-	-
Local sources	1,284	-	5,770	1,773	590
On-behalf payments	-	-	-	-	-
Total Revenues	<u>\$ 1,284</u>	<u>\$ 553,859</u>	<u>\$ 5,770</u>	<u>\$ 1,773</u>	<u>\$ 590</u>
Expenditures					
Salaries	\$ -	\$ 299,704	\$ 5,085	\$ 133	\$ -
Benefits	-	127,067	389	9	-
Purchased services	-	117,777	718	-	590
Supplies and materials	835	8,673	-	2,163	-
Other objects	-	-	-	-	-
Transfers - payments to other governmental units	-	-	-	-	-
Capital outlay	-	638	-	-	-
On-behalf payments	-	-	-	-	-
Total Expenditures	<u>\$ 835</u>	<u>\$ 553,859</u>	<u>\$ 6,192</u>	<u>\$ 2,305</u>	<u>\$ 590</u>
Revenues over (under) expenditures	<u>\$ 449</u>	<u>\$ -</u>	<u>\$ (422)</u>	<u>\$ (532)</u>	<u>\$ -</u>
Other Financing Sources/(Uses)					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	(1,862)	-	-	-
	<u>\$ -</u>	<u>\$ (1,862)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 449	\$ (1,862)	\$ (422)	\$ (532)	\$ -
Fund Balance, Beginning of year (Restated- See Note 18)	<u>2,409</u>	<u>1,862</u>	<u>3,135</u>	<u>1,354</u>	<u>-</u>
Fund Balance, End of year	<u><u>\$ 2,858</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,713</u></u>	<u><u>\$ 822</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	Truants Alternative Optional Education	Regional Safe Schools	Title I - Reading First Part B SEA Funds	Title IV - Safe and Drug Free Formula	ARRA McKinney Education for Homeless Children	McKinney Education for Homeless Children
Revenues						
State sources	\$ 134,494	\$ 63,508	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	3,789	-	16,369	273,623
Local sources	-	-	-	-	-	-
On-behalf payments	4,678	8,924	-	-	-	17,980
Total Revenues	\$ 139,172	\$ 72,432	\$ 3,789	\$ -	\$ 16,369	\$ 291,603
Expenditures						
Salaries	\$ 65,610	\$ 31,204	\$ 319	\$ -	\$ 8,826	\$ 45,869
Benefits	15,313	7,629	120	-	3,668	18,319
Purchased services	23,439	1,257	3,350	-	1,271	15,673
Supplies and materials	8,690	-	-	-	2,604	8,835
Other objects	317	-	-	-	-	-
Transfers - payments to other governmental units	-	-	-	-	-	182,466
Capital outlay	11,685	-	-	-	-	2,461
On-behalf payments	4,678	8,924	-	-	-	17,980
Total Expenditures	\$ 129,732	\$ 49,014	\$ 3,789	\$ -	\$ 16,369	\$ 291,603
Revenues over (under) expenditures	\$ 9,440	\$ 23,418	\$ -	\$ -	\$ -	\$ -
Other Financing Sources/(Uses)						
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ 9,440	\$ 23,418	\$ -	\$ -	\$ -	\$ -
Fund Balance, Beginning of year (Restated- See Note 18)	(9,440)	(23,418)	-	632	-	1,169
Fund Balance, End of year	\$ -	\$ -	\$ -	\$ 632	\$ -	\$ 1,169

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	ROE Technology Maintenance	Family Literacy	Regional System Provider/ Federal System	Truants Alternative Optional Education Program Training	Teen Court
Revenues					
State sources	\$ -	\$ -	\$ -	\$ 163,369	\$ 35,890
Federal sources	-	-	34,263	-	-
Local sources	373	-	-	-	-
On-behalf payments	-	-	15,032	-	-
Total Revenues	<u>\$ 373</u>	<u>\$ -</u>	<u>\$ 49,295</u>	<u>\$ 163,369</u>	<u>\$ 35,890</u>
Expenditures					
Salaries	\$ -	\$ -	\$ 18,746	\$ 41,765	\$ 18,480
Benefits	-	-	2,534	13,543	3,400
Purchased services	786	-	12,006	102,848	5,399
Supplies and materials	-	-	977	5,213	580
Other objects	-	-	-	-	-
Transfers - payments to other governmental units	-	-	-	-	-
Capital outlay	1,270	-	-	-	-
On-behalf payments	-	-	15,032	-	-
Total Expenditures	<u>\$ 2,056</u>	<u>\$ -</u>	<u>\$ 49,295</u>	<u>\$ 163,369</u>	<u>\$ 27,859</u>
Revenues over (under) expenditures	<u>\$ (1,683)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,031</u>
Other Financing Sources/(Uses)					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	(21,000)	(896)	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,000)</u>	<u>\$ (896)</u>	<u>\$ -</u>
Net change in fund balances	\$ (1,683)	\$ -	\$ (21,000)	\$ (896)	\$ 8,031
Fund Balance, Beginning of year (Restated- See Note 18)	<u>3,416</u>	<u>737</u>	<u>21,000</u>	<u>896</u>	<u>(11,891)</u>
Fund Balance, End of year	<u>\$ 1,733</u>	<u>\$ 737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,860)</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	Gifted Co-Op	Teaching American History Grant	Adult Learning Resource Center	Teen Parent Services	ARRA Title I - School Improvement
Revenues					
State sources	\$ 35,315	\$ -	\$ -	\$ 14,477	\$ -
Federal sources	-	270,882	39,927	6,438	113,583
Local sources	-	-	-	-	-
On-behalf payments	-	-	-	-	-
Total Revenues	<u>\$ 35,315</u>	<u>\$ 270,882</u>	<u>\$ 39,927</u>	<u>\$ 20,915</u>	<u>\$ 113,583</u>
Expenditures					
Salaries	\$ 17,350	\$ 67,330	\$ 24,974	\$ 11,000	\$ 41,500
Benefits	795	3,564	8,410	2,681	19,258
Purchased services	5,353	198,783	3,873	9,458	31,120
Supplies and materials	11,817	1,205	2,670	-	1,886
Other objects	-	-	-	-	-
Transfers - payments to other governmental units	-	-	-	-	19,819
Capital outlay	-	-	-	-	-
On-behalf payments	-	-	-	-	-
Total Expenditures	<u>\$ 35,315</u>	<u>\$ 270,882</u>	<u>\$ 39,927</u>	<u>\$ 23,139</u>	<u>\$ 113,583</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,224)</u>	<u>\$ -</u>
Other Financing Sources/(Uses)					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ (2,224)	\$ -
Fund Balance, Beginning of year (Restated- See Note 18)	-	-	-	-	-
Fund Balance, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,224)</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	ARRA Education Jobs Fund Program	Tech Illinois	WC4	Totals
Revenues				
State sources	\$ -	\$ 3,429	\$ 11,090	\$ 1,426,591
Federal sources	21,610	-	-	961,123
Local sources	375	-	-	40,302
On-behalf payments	-	-	-	72,414
Total Revenues	<u>\$ 21,985</u>	<u>\$ 3,429</u>	<u>\$ 11,090</u>	<u>\$ 2,500,430</u>
Expenditures				
Salaries	\$ 18,570	\$ -	\$ -	\$ 989,071
Benefits	3,415	-	-	305,475
Purchased services	-	3,429	11,090	644,208
Supplies and materials	-	-	-	96,045
Other objects	-	-	-	317
Transfers - payments to other governmental units	-	-	-	202,285
Capital outlay	-	-	-	16,883
On-behalf payments	-	-	-	72,414
Total Expenditures	<u>\$ 21,985</u>	<u>\$ 3,429</u>	<u>\$ 11,090</u>	<u>\$ 2,326,698</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,732</u>
Other Financing Sources/(Uses)				
Transfers in	\$ -	\$ -	\$ -	\$ 1,607
Transfers out	-	-	-	(23,758)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (22,151)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ 151,581
Fund Balance, Beginning of year (Restated- See Note 18)	-	-	-	(51,171)
Fund Balance, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,410</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 EARLY CHILDHOOD BLOCK GRANT
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
State sources	\$ 249,147	\$ 249,147	\$ 223,809	\$ (25,338)
Local sources	-	-	96	96
Total Revenues	<u>\$ 249,147</u>	<u>\$ 249,147</u>	<u>\$ 223,905</u>	<u>\$ (25,242)</u>
Expenditures				
Salaries	\$ 160,407	\$ 112,603	\$ 86,784	\$ 25,819
Benefits	47,790	58,390	32,987	25,403
Purchased/contracted services	39,450	40,650	32,483	8,167
Materials and supplies	1,500	15,000	8,234	6,766
Other objects	-	-	-	-
Capital outlay	-	22,504	-	22,504
Total Expenditures	<u>\$ 249,147</u>	<u>\$ 249,147</u>	<u>\$ 160,488</u>	<u>\$ 88,659</u>
Excess of Revenues over/(under)				
Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,417</u>	<u>\$ 63,417</u>
Other Financing Sources/(Uses)				
Transfers in	\$ -	\$ -	\$ 875	\$ 875
Transfers out	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 875</u>	<u>\$ 875</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	\$ 64,292	<u>\$ 64,292</u>
Fund Balance, Beginning of year			<u>(64,292)</u>	
Fund Balance, End of year			<u>\$ -</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 EARLY CHILDHOOD GRANT
 FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues				
State sources	\$ 313,956	\$ 313,956	\$ 254,163	\$ (59,793)
Local sources	-	-	-	-
On-behalf payments	-	-	25,800	25,800
Total Revenues	<u>\$ 313,956</u>	<u>\$ 313,956</u>	<u>\$ 279,963</u>	<u>\$ (33,993)</u>
Expenditures				
Salaries	\$ 214,142	\$ 184,142	\$ 132,144	\$ 51,998
Benefits	46,579	46,579	22,389	24,190
Purchased/contracted services	25,435	25,435	42,847	(17,412)
Materials and supplies	23,000	23,000	23,806	(806)
Other objects	-	-	-	-
Capital Outlay	4,800	34,800	-	34,800
On-behalf payments	-	-	25,800	(25,800)
Total Expenditures	<u>\$ 313,956</u>	<u>\$ 313,956</u>	<u>\$ 246,986</u>	<u>\$ 66,970</u>
Excess of Revenues over/(under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,977</u>	<u>\$ 32,977</u>
Other Financing Sources/(Uses)				
Transfers in	\$ -	\$ -	\$ 732	\$ 732
Transfers out	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 732</u>	<u>\$ 732</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,709</u>	<u>\$ 33,709</u>
Fund Balance, Beginning of year			<u>(33,709)</u>	
Fund Balance, End of year			<u>\$ -</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 EVEN START
 FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues				
Federal sources	\$ 100,000	\$ 134,858	\$ 102,200	\$ (32,658)
Local sources	-	-	-	-
Total Revenues	<u>\$ 100,000</u>	<u>\$ 134,858</u>	<u>\$ 102,200</u>	<u>\$ (32,658)</u>
Expenditures				
Salaries	\$ 32,774	\$ 54,584	\$ 53,678	\$ 906
Benefits	15,056	22,746	19,985	2,761
Purchased/contracted services	43,167	43,167	20,655	22,512
Materials and supplies	9,003	12,861	7,053	5,808
Capital outlay	-	1,500	829	671
Total Expenditures	<u>\$ 100,000</u>	<u>\$ 134,858</u>	<u>\$ 102,200</u>	<u>\$ 32,658</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>
Fund Balance, Beginning of year			<u>171</u>	
Fund Balance, End of year			<u>\$ 171</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 TRUANTS ALTERNATIVE OPTIONAL EDUCATION
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
State sources	\$ 100,916	\$ 100,916	\$ 134,494	\$ 33,578
On-behalf payments	-	-	4,678	4,678
Total Revenues	<u>\$ 100,916</u>	<u>\$ 100,916</u>	<u>\$ 139,172</u>	<u>\$ 38,256</u>
Expenditures				
Salaries	\$ 47,258	\$ 38,202	\$ 65,610	\$ (27,408)
Benefits	17,915	13,566	15,313	(1,747)
Purchased/contracted services	26,525	32,224	23,439	8,785
Materials and supplies	2,218	5,924	8,690	(2,766)
Other objects	-	-	317	(317)
Capital Outlay	7,000	11,000	11,685	(685)
On-behalf payments	-	-	4,678	(4,678)
Total Expenditures	<u>\$ 100,916</u>	<u>\$ 100,916</u>	<u>\$ 129,732</u>	<u>\$ (28,816)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	\$ 9,440	<u>\$ 9,440</u>
Fund Balance, Beginning of year			<u>(9,440)</u>	
Fund Balance, End of year			<u>\$ -</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 REGIONAL SAFE SCHOOLS
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
State sources	\$ 55,349	\$ 55,349	\$ 63,508	\$ 8,159
On-behalf payments	-	-	8,924	8,924
Total Revenues	<u>\$ 55,349</u>	<u>\$ 55,349</u>	<u>\$ 72,432</u>	<u>\$ 17,083</u>
Expenditures				
Salaries	\$ 36,000	\$ 36,000	\$ 31,204	\$ 4,796
Benefits	11,890	11,890	7,629	4,261
Purchased/contracted services	6,930	6,930	1,257	5,673
Materials and supplies	529	529	-	529
Other objects	-	-	-	-
On-behalf payments	-	-	8,924	(8,924)
Total Expenditures	<u>\$ 55,349</u>	<u>\$ 55,349</u>	<u>\$ 49,014</u>	<u>\$ 6,335</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	\$ 23,418	<u>\$ 23,418</u>
Fund Balance, Beginning of year			<u>(23,418)</u>	
Fund Balance, End of year			<u>\$ -</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 ARRA TITLE I - SCHOOL IMPROVEMENT
 FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues				
Federal sources	\$ 120,000	\$ 120,000	\$ 113,583	\$ (6,417)
Local sources	-	-	-	-
Total Revenues	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ 113,583</u>	<u>\$ (6,417)</u>
Expenditures				
Salaries	\$ 41,500	\$ 41,500	\$ 41,500	\$ -
Benefits	22,633	22,633	19,258	3,375
Purchased services	53,523	35,323	31,120	4,203
Supplies and materials	2,344	2,344	1,886	458
Transfers- payments to other governmental units	-	18,200	19,819	(1,619)
Total Expenditures	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ 113,583</u>	<u>\$ 6,417</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>
Fund Balance, Beginning of year			<u>-</u>	
Fund Balance, End of year			<u>\$ -</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 MCKINNEY EDUCATION FOR HOMELESS CHILDREN
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Federal sources	\$ 275,896	\$ 278,305	\$ 273,623	\$ (4,682)
Local sources	-	-	-	-
On-behalf payments	-	-	17,980	17,980
Total Revenues	<u>\$ 275,896</u>	<u>\$ 278,305</u>	<u>\$ 291,603</u>	<u>\$ 13,298</u>
Expenditures				
Salaries	\$ 46,240	\$ 50,840	\$ 45,869	\$ 4,971
Benefits	16,390	18,638	18,319	319
Purchased/contracted services	210,506	205,065	15,673	189,392
Materials and supplies	2,760	3,762	8,835	(5,073)
Transfers - payments to other governmental units	-	-	182,466	(182,466)
Capital Outlay	-	-	2,461	(2,461)
On-behalf payments	-	-	17,980	(17,980)
Total Expenditures	<u>\$ 275,896</u>	<u>\$ 278,305</u>	<u>\$ 291,603</u>	<u>\$ (13,298)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>
Fund Balance, Beginning of year			<u>1,169</u>	
Fund Balance, End of year			<u>\$ 1,169</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 TRUANTS ALTERNATIVE OPTIONAL EDUCATION PROGRAM TRAINING
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
State sources	\$ 202,850	\$ 202,850	\$ 163,369	\$ (39,481)
Local sources	-	-	-	-
Total Revenues	<u>\$ 202,850</u>	<u>\$ 202,850</u>	<u>\$ 163,369</u>	<u>\$ (39,481)</u>
Expenditures				
Salaries	\$ 69,436	\$ 69,436	\$ 41,765	\$ 27,671
Benefits	19,412	19,412	13,543	5,869
Purchased/contracted services	113,502	113,502	102,848	10,654
Materials and supplies	500	500	5,213	(4,713)
Other objects	-	-	-	-
Total Expenditures	<u>\$ 202,850</u>	<u>\$ 202,850</u>	<u>\$ 163,369</u>	<u>\$ 39,481</u>
Excess of Revenues over/(under)				
Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Financing Sources/(Uses)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	(896)	(896)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (896)</u>	<u>\$ (896)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	\$ (896)	<u>\$ (896)</u>
Fund Balance, Beginning of year			<u>896</u>	
Fund Balance, End of year			<u>\$ -</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 TEACHING AMERICAN HISTORY GRANT
 FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues				
Federal sources	\$ 286,047	\$ 286,047	\$ 270,882	\$ (15,165)
Total Revenues	<u>\$ 286,047</u>	<u>\$ 286,047</u>	<u>\$ 270,882</u>	<u>\$ (15,165)</u>
Expenditures				
Salaries	\$ 70,886	\$ 70,886	\$ 67,330	\$ 3,556
Benefits	4,034	4,034	3,564	470
Purchased/contracted services	206,460	206,460	198,783	7,677
Materials and supplies	4,667	4,667	1,205	3,462
Capital outlay	-	-	-	-
Total Expenditures	<u>\$ 286,047</u>	<u>\$ 286,047</u>	<u>\$ 270,882</u>	<u>\$ 15,165</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>
Fund Balance, Beginning of year			<u>-</u>	
Fund Balance, End of year			<u><u>\$ -</u></u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

	General Education Development Fund	Bus Driver Training	Supervisory Fund	Totals
Assets				
Cash and cash equivalents	\$ 3,819	\$ 5,133	\$ -	\$ 8,952
Total Assets	<u>\$ 3,819</u>	<u>\$ 5,133</u>	<u>\$ -</u>	<u>\$ 8,952</u>
Liabilities and Fund Balance				
Liabilities				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance				
Restricted	\$ 3,819	\$ 5,133	\$ -	\$ 8,952
Total Fund Balance	<u>\$ 3,819</u>	<u>\$ 5,133</u>	<u>\$ -</u>	<u>\$ 8,952</u>
Total Liabilities and Fund Balance	<u>\$ 3,819</u>	<u>\$ 5,133</u>	<u>\$ -</u>	<u>\$ 8,952</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	General Education Development Fund	Bus Driver Training	Supervisory Fund	Totals
Revenues				
State sources	\$ -	\$ 1,868	\$ 2,000	\$ 3,868
Local sources	3,532	-	-	3,532
	<u>\$ 3,532</u>	<u>\$ 1,868</u>	<u>\$ 2,000</u>	<u>\$ 7,400</u>
Total Revenues				
Expenditures				
Purchased services	\$ 2,551	\$ 1,088	\$ 2,000	\$ 5,639
Supplies and material	172	86	-	258
Total Expenditures	<u>\$ 2,723</u>	<u>\$ 1,174</u>	<u>\$ 2,000</u>	<u>\$ 5,897</u>
Net change in fund balance	\$ 809	\$ 694	\$ -	\$ 1,503
Fund Balance, Beginning of year	<u>3,010</u>	<u>4,439</u>	<u>-</u>	<u>7,449</u>
Fund Balance, End of year	<u>\$ 3,819</u>	<u>\$ 5,133</u>	<u>\$ -</u>	<u>\$ 8,952</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011

	Business-type Activities Enterprise Funds			Totals
	Video Co-Op	Workshop Fund	Fingerprinting Fund	
Assets				
Current assets				
Cash and cash equivalents	\$ 2,197	\$ 4,793	\$ 7,487	\$ 14,477
Due from other governments	-	-	-	-
Total current assets	<u>\$ 2,197</u>	<u>\$ 4,793</u>	<u>\$ 7,487</u>	<u>\$ 14,477</u>
Noncurrent assets				
Equipment, net	-	1,468	8,291	9,759
Total Assets	<u>\$ 2,197</u>	<u>\$ 6,261</u>	<u>\$ 15,778</u>	<u>\$ 24,236</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 1,122	\$ 1,122
Due to other funds	-	-	5,032	5,032
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,154</u>	<u>\$ 6,154</u>
Net Assets				
Invested in capital assets, net of related debt	\$ -	\$ 1,468	\$ 8,291	\$ 9,759
Unrestricted	2,197	4,793	1,333	8,323
Total Net Assets	<u>\$ 2,197</u>	<u>\$ 6,261</u>	<u>\$ 9,624</u>	<u>\$ 18,082</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities Enterprise Funds			Totals
	Video Co-Op	Workshop Fund	Fingerprinting Fund	
Operating Revenues				
Charges for services	\$ 3,023	\$ -	\$ 29,966	\$ 32,989
Operating Expenses				
Purchased services	\$ 3,001	\$ -	\$ 17,258	\$ 20,259
Materials and supplies	1,520	-	394	1,914
Miscellaneous	-	-	617	617
Depreciation	-	187	2,073	2,260
Total Operating Expenses	<u>\$ 4,521</u>	<u>\$ 187</u>	<u>\$ 20,342</u>	<u>\$ 25,050</u>
Change in Net Assets	\$ (1,498)	\$ (187)	\$ 9,624	\$ 7,939
Net Assets, Beginning of year	<u>3,695</u>	<u>6,448</u>	<u>-</u>	<u>10,143</u>
Net Assets, End of year	<u><u>\$ 2,197</u></u>	<u><u>\$ 6,261</u></u>	<u><u>\$ 9,624</u></u>	<u><u>\$ 18,082</u></u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities			Totals
	Enterprise Funds			
	Video Co-Op	Workshop Fund	Fingerprinting Fund	
Cash Flows from Operating Activities:				
Receipts from customers	\$ 3,464	\$ -	\$ 29,966	\$ 33,430
Payments to suppliers and providers of goods and services	(4,521)	-	(12,115)	(16,636)
Net cash provided (used) for operating activities	<u>\$ (1,057)</u>	<u>\$ -</u>	<u>\$ 17,851</u>	<u>\$ 16,794</u>
Cash Flows from Capital and Related Financing Activities:				
Purchases of capital assets	\$ -	\$ -	\$ (10,364)	\$ (10,364)
Net cash used by capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,364)</u>	<u>\$ (10,364)</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,057)	\$ -	\$ 7,487	\$ 6,430
Cash and cash equivalents - July 1, 2010	<u>3,254</u>	<u>4,793</u>	<u>-</u>	<u>8,047</u>
Cash and cash equivalents - June 30, 2011	<u>\$ 2,197</u>	<u>\$ 4,793</u>	<u>\$ 7,487</u>	<u>\$ 14,477</u>
Reconciliation of operating income (loss) to net cash provided (used) for operating activities:				
Operating income (loss)	\$ (1,498)	\$ (187)	\$ 9,624	\$ 7,939
Adjustments to reconcile operating income (loss) to net cash provided (used) for operating activities:				
Depreciation	-	187	2,073	2,260
Decrease in assets:				
Due from other governments	441	-	-	441
Increase in liabilities:				
Accounts payable	-	-	1,122	1,122
Due to other funds	-	-	5,032	5,032
Net cash provided (used) by operating activities	<u>\$ (1,057)</u>	<u>\$ -</u>	<u>\$ 17,851</u>	<u>\$ 16,794</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 ALL AGENCY FUNDS
 JUNE 30, 2011

	Distributive Fund	State Superintendent Fund	Regional Board of School Trustees Fund	Area III Superintendents Fund	Hancock County Principal Fund	Rotary Scholarship Fund	Totals
Assets							
Cash and cash equivalents	\$ -	\$ 1,291	\$ 1,773	\$ 3,908	\$ 4,438	\$ 750	\$ 12,160
Total Assets	<u>\$ -</u>	<u>\$ 1,291</u>	<u>\$ 1,773</u>	<u>\$ 3,908</u>	<u>\$ 4,438</u>	<u>\$ 750</u>	<u>\$ 12,160</u>
Liabilities							
Due to other governments	\$ -	\$ 1,291	\$ 1,773	\$ 3,908	\$ 4,438	\$ 750	\$ 12,160
Total Liabilities	<u>\$ -</u>	<u>\$ 1,291</u>	<u>\$ 1,773</u>	<u>\$ 3,908</u>	<u>\$ 4,438</u>	<u>\$ 750</u>	<u>\$ 12,160</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
Distributive Fund:				
Assets				
Cash and cash equivalents	\$ -	\$ 7,100,315	\$ 7,100,315	\$ -
Due from ISBE	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 7,100,315</u>	<u>\$ 7,100,315</u>	<u>\$ -</u>
Liabilities				
Due to other funds	\$ -	\$ 7,100,315	\$ 7,100,315	\$ -
Due to other governments	-	-	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ 7,100,315</u>	<u>\$ 7,100,315</u>	<u>\$ -</u>
State Superintendent Fund:				
Assets				
Cash and cash equivalents	\$ 1,951	\$ 4,328	\$ 4,988	\$ 1,291
Total Assets	<u>\$ 1,951</u>	<u>\$ 4,328</u>	<u>\$ 4,988</u>	<u>\$ 1,291</u>
Liabilities				
Due to other governments	\$ 1,951	\$ 4,328	\$ 4,988	\$ 1,291
Total Liabilities	<u>\$ 1,951</u>	<u>\$ 4,328</u>	<u>\$ 4,988</u>	<u>\$ 1,291</u>
Regional Board of School Trustees Fund:				
Assets				
Cash and cash equivalents	\$ 2,523	\$ -	\$ 750	\$ 1,773
Total Assets	<u>\$ 2,523</u>	<u>\$ -</u>	<u>\$ 750</u>	<u>\$ 1,773</u>
Liabilities				
Due to other governments	\$ 2,523	\$ -	\$ 750	\$ 1,773
Total Liabilities	<u>\$ 2,523</u>	<u>\$ -</u>	<u>\$ 750</u>	<u>\$ 1,773</u>
Area III Superintendents Fund:				
Assets				
Cash and cash equivalents	\$ 3,937	\$ 2,500	\$ 2,529	\$ 3,908
Total Assets	<u>\$ 3,937</u>	<u>\$ 2,500</u>	<u>\$ 2,529</u>	<u>\$ 3,908</u>
Liabilities				
Due to other governments	\$ 3,937	\$ 2,500	\$ 2,529	\$ 3,908
Total Liabilities	<u>\$ 3,937</u>	<u>\$ 2,500</u>	<u>\$ 2,529</u>	<u>\$ 3,908</u>
Hancock County Principal Fund:				
Assets				
Cash and cash equivalents	\$ 5,266	\$ 1,141	\$ 1,969	\$ 4,438
Total Assets	<u>\$ 5,266</u>	<u>\$ 1,141</u>	<u>\$ 1,969</u>	<u>\$ 4,438</u>
Liabilities				
Due to other governments	\$ 5,266	\$ 1,141	\$ 1,969	\$ 4,438
Total Liabilities	<u>\$ 5,266</u>	<u>\$ 1,141</u>	<u>\$ 1,969</u>	<u>\$ 4,438</u>
Rotary Scholarship Fund:				
Assets				
Cash and cash equivalents	\$ -	\$ 1,000	\$ 250	\$ 750
Total Assets	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 250</u>	<u>\$ 750</u>
Liabilities				
Due to other governments	\$ -	\$ 1,000	\$ 250	\$ 750
Total Liabilities	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 250</u>	<u>\$ 750</u>
Totals:				
Assets				
Cash and cash equivalents	\$ 13,677	\$ 7,109,284	\$ 7,110,801	\$ 12,160
Due from ISBE	-	-	-	-
Total Assets	<u>\$ 13,677</u>	<u>\$ 7,109,284</u>	<u>\$ 7,110,801</u>	<u>\$ 12,160</u>
Liabilities				
Due to other funds	\$ -	\$ 7,100,315	\$ 7,100,315	\$ -
Due to other governments	13,677	8,969	10,486	12,160
Total Liabilities	<u>\$ 13,677</u>	<u>\$ 7,109,284</u>	<u>\$ 7,110,801</u>	<u>\$ 12,160</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHERS
FOR THE YEAR ENDED JUNE 30, 2011

		Western Area Career System	West Central Illinois Special Ed	ROE 26	Totals
General State Aid	3001	\$ -	\$ -	\$ 237,343	\$ 237,343
Special Ed Personnel	3110	-	920,652	-	920,652
Voc Ed-Sec Prog Imp	3220	549,825	-	-	549,825
Voc Ed-Ag Education	3235	24,895	-	-	24,895
Gifted Education	3350	-	-	-	-
State Free Lunch & Breakfast	3360	-	1,634	63	1,697
School Breakfast Incentive	3365	-	15	-	15
ROE School Bus Driver Training	3520	-	-	764	764
Truants Alternative/Optional Ed	3695	-	-	287,979	287,979
Regional Safe Schools	3696	-	-	68,584	68,584
Early Childhood Block Grant	3705	-	-	565,718	565,718
Supervisory	3745	-	-	-	-
National School Lunch	4210	-	25,789	1,816	27,605
School Breakfast Program	4220	-	16,099	-	16,099
Even Start	4335	-	-	100,000	100,000
Title I - Reading First Part B SEA Funds	4337	-	-	2,960	2,960
Special Ed Pre School	4600	-	148,386	-	148,386
Special Ed IDEA Flow-Thru	4620	-	3,059,359	-	3,059,359
Voc Ed Perkins Title IIC	4745	155,385	-	-	155,385
ARRA - Title I - School Improvement	4854	-	-	83,775	83,775
ARRA - Special Ed. Pre School Flow-Thru	4856	-	14,914	-	14,914
ARRA - Special Ed. I.D.E.A. Flow-Thru	4857	-	513,692	-	513,692
ARRA - McKinney Education for Homeless Children	4862	-	-	18,253	18,253
ARRA - Education Jobs Fund	4880	-	-	21,610	21,610
McKinney Ed for Homeless	4920	-	-	280,805	280,805
		<u>\$ 730,105</u>	<u>\$ 4,700,540</u>	<u>\$ 1,669,670</u>	<u>\$ 7,100,315</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26

FEDERAL COMPLIANCE SECTION

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION NO. 26
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program/Cluster Title	Federal CFDA Number	Grant Number	Expenditures
U.S. Department of Education			
Fund for the Improvement of Education (M) Teaching American History	84.215X	U215X080056	\$ 270,882
<i>Passed through Illinois State Board of Education (ISBE)</i>			
ARRA - Education Jobs Fund	84.410A	11-4880-92	\$ 15,922
ARRA - Education Jobs Fund	84.410A	11-4880-93	5,688
Total ARRA - Education Jobs Fund			<u>\$ 21,610</u>
Reading First State Grants Title 1- Reading First Part B SEA Funds	84.357A	10-4337-00	\$ 3,789
Title I- Grants to Local Educational Agencies - Cluster Title 1 - School Improvement - Recovery Act	84.389A	11-4854-00	\$ 113,583
<i>Passed through Two Rivers Professional Development Center</i>			
Regional System Provider/Federal System (RESPRO)	84.010A	11-4331-SS	34,263
Total Title I - Grants to Local Educational Agencies - Cluster			<u>\$ 147,846</u>
Even Start- State Educational Agencies Even Start	84.213C	11-4335-00	\$ 102,200
McKinney Education for Homeless Children - Cluster McKinney Education for Homeless Children	84.196A	10-4920-00	\$ 10,067
McKinney Education for Homeless Children	84.196A	11-4920-00	263,556
McKinney Education for Homeless Children - Recovery Act	84.387A	10-4862-00	16,369
<i>Passed through Adult Learning Resource Center</i>			
McKinney Education for Homeless Children	84.196A	11-4920-00	39,927
(M) Total McKinney Education for Homeless Children - Cluster			<u>\$ 329,919</u>
<i>Passed through Illinois Department of Human Services (IDHS)</i>			
Rehabilitation Services-Vocational Rehabilitation Grants to States Secondary Transitional Experience Program	84.126	11CL002072	\$ 7,537
Special Education Grants for Infants and Families	84.181	11CL002072	\$ 66,812
Total U.S. Department of Education			<u>\$ 950,595</u>
U.S. Department of Health and Human Services			
<i>Passed through Illinois Department of Human Services (IDHS)</i>			
Social Services Block Grant	93.667	11CL002072	\$ 6,438
U.S. Department of Agriculture			
<i>Passed through Illinois State Board of Education (ISBE)</i>			
National School Lunch	10.555	11-4210-00	\$ 1,816
U.S. Department of Labor			
<i>Passed through Workforce Investment Office of Western Illinois</i>			
Workforce Investment Act Youth Activities WIA Youth Program	17.259	LWA14	\$ 807
Total Federal Awards			<u>\$ 959,656</u>

(M) audited as a major program

The accompanying notes are an integral part of this schedule.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Hancock/McDonough Regional Office of Education #26 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in conformance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. DESCRIPTIONS OF FEDERAL PROGRAMS AUDITED AS A MAJOR PROGRAM

The major federal programs of the Hancock/McDonough Regional Office of Education #26 are the Teaching American History (CFDA # 84.215X) and the McKinney Education for Homeless Children (CFDA # 84.196A and 84.387A). These funds are used to assist in providing instruction in American History and to ensure that homeless children and youth have equal access to the same free, appropriate public education as other children, respectively.

3. SUBRECIPIENTS

Of the expenditures in this schedule, the Hancock/McDonough Regional Office of Education #26 provided awards to subrecipients in the amount of \$182,466 under the McKinney Education for Homeless Children program and \$7,537 under the Secondary Transitional Experience Program.

4. NON-MONETARY FEDERAL AWARDS

There are no non-monetary federal awards in the current year.

5. INSURANCE

The Hancock/McDonough Regional Office of Education #26 did not receive any Federal awards involving insurance with continuing compliance requirements.

6. LOANS AND LOAN GUARANTEES

The Hancock/McDonough Regional Office of Education #26 did not receive any Federal awards involving loans or loan guarantees with continuing compliance requirements.