

**State of Illinois  
REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
FINANCIAL AUDIT  
For the Year Ended June 30, 2012**

**Performed as Special Assistant Auditors  
for the Office of the Auditor General  
State of Illinois**

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
For the Year Ended June 30, 2012**

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**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
For the Year Ended June 30, 2012**

**OFFICIALS**

Regional Superintendent (Current and during the Audit Period)	Mr. Larry D. Pfeiffer
Assistant Regional Superintendent (During the Audit Period July 1, 2011 – November 30, 2011)	Ms. Gayle Early
Assistant Regional Superintendent (During the Audit Period January 1, 2012 – June 30, 2012)	Mr. Jerry Bauersachs
Assistant Regional Superintendent (July 1, 2012 – October 31, 2012)	Ms. Gayle Early
Assistant Regional Superintendent (November 1, 2012 – March 31, 2013)	Ms. Marilyn Swearingin
Assistant Regional Superintendent (April 1, 2013 – Current)	Mr. James Whiteside

Offices are located at:

225 E. Nicholas Street  
Carlinville, IL 62626

303 W. Exchange Street  
Jerseyville, IL 62052

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
For the Year Ended June 30, 2012**

**FINANCIAL REPORT SUMMARY**

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

**AUDITORS' REPORTS**

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

**SUMMARY OF AUDIT FINDINGS**

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	3	2
Repeated audit findings	2	1
Prior recommendations implemented or not repeated	0	0

**SUMMARY OF FINDINGS AND RESPONSES**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
12-01	10a-10b	Controls Over Financial Statement Preparation	Material Weakness
12-02	10c	Ineffective Internal Control Procedures	Significant Deficiency
12-03	10d	Inadequate Monitoring of Collateral on Deposits	Noncompliance Material Weakness

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

None

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
For the Year Ended June 30, 2012**

**EXIT CONFERENCE**

An informal exit conference was held with Agency personnel on October 31, 2012 to review the findings and recommendations. Attending were Larry Pfeiffer, Regional Superintendent; Marilyn Rogers, Bookkeeper; Kimberly Walker, CPA, Partner, Kemper CPA Group LLP; and Kara Bevis, CPA, Manager, Kemper CPA Group, LLP. Responses to the recommendations were provided by Larry Pfeiffer, Regional Superintendent, on May 8, 2013.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
For the Year Ended June 30, 2012**

**FINANCIAL STATEMENT REPORT SUMMARY**

The audit of the accompanying basic financial statements of the Regional Office of Education #40 was performed by Kemper CPA Group LLP, Certified Public Accountants and Consultants.

Based on their audit, the auditors expressed an unqualified opinion on the Regional Office of Education #40's basic financial statements.

**INDEPENDENT AUDITOR'S 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 Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40, as of and for the year ended June 30, 2012, which collectively comprise the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40'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, 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 Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 30, 2013, on our consideration of the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 13a-13g and 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40's financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated in all material respects in relation to the financial statements taken as a whole.

*Kemper CPA Group LLP*

KEMPER CPA GROUP LLP  
*Certified Public Accountants and Consultants*

Marion, Illinois  
May 30, 2013

**INDEPENDENT AUDITOR'S 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 Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40, as of and for the year ended June 30, 2012, which collectively comprise the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40's basic financial statements and have issued our report thereon dated May 30, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in 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 Responses we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

*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 deficiencies described in findings 12-01 and 12-03 in the accompanying Schedule of Findings and

Responses to be material weaknesses. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in finding 12-02 in the accompanying Schedule of Findings and Responses to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 12-03.

Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40's responses and, accordingly, we express no opinion on the responses.

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

*Kemper CPA Group LLP*

KEMPER CPA GROUP LLP  
*Certified Public Accountants and Consultants*

Marion, Illinois  
May 30, 2013

## **SCHEDULE OF FINDINGS AND RESPONSES**

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2012**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	Yes

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2012**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Finding No.: 12-01 – Controls Over Financial Statement Preparation (Repeat from Findings 11-01, 10-01, 09-01, 08-01, and 07-04)**

**Criteria/specific requirement:**

The Regional Office of Education #40 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

**Condition:**

The Regional Office of Education #40 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting. 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, or deferred revenue. While the Regional Office did maintain records to indicate the balances of some accounts payable, accounts receivable, and deferred revenue, the Regional Office's financial information required several adjusting entries to present the financial statements in accordance with generally accepted accounting principles.
- Several prior year proposed audit entries were either not correctly recorded or not correctly reversed, as necessary.
- Transfers and due to/from other fund amounts were not always correctly recorded. Adjusting audit entries were necessary to net transfers and due to/from other funds to zero.

**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 do not have adequate funding to hire a certified public accountant or other financial professionals for their full-time staff. However, they did obtain the assistance of a local county Chief Financial Officer in the current year.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2012**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Finding No.: 12-01 – Controls Over Financial Statement Preparation (Repeat from Findings 11-01, 10-01, 09-01, 08-01, and 07-04) (Concluded)**

**Recommendation:**

As part of its internal control over the preparation of financial statements, including disclosures, the Regional Office of Education #40 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review 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:**

A financial consultant from Macoupin County will continue to assist the Regional Office during FY2013 to help address this finding and will specifically review the items noted above.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2012**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Finding No.: 12-02 – Ineffective Internal Control Procedures (Repeat from Finding 11-02)**

**Criteria/specific requirement:**

The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over receipts and disbursements sufficient to prevent errors and fraud.

**Condition:**

We noted the following weaknesses in the Regional Office of Education's internal control system:

- A. One (1) employee contract out of 40 was not signed by either the Regional Superintendent or the Assistant Regional Superintendent.
- B. Eight (8) instances out of 40 in which the individual approving the direct deposit voucher used a checkmark to document his review and approval, rather than a signature or initials.
- C. One (1) instance out of 60 in which the vendor invoice did not agree to the check written or to the payment authorization form.
- D. Bank reconciliations are not consistently signed or initialed by the reviewer as documentation of their review and approval.
- E. Internal controls over checks paid to the check authorizers are not designed effectively. In these instances, the addressee of the check is also the authorizer of payment and/or check signer.

**Effect:**

Lack of effective internal control procedures could result in unintentional or intentional errors or misappropriations of assets, in which the errors or fraud could be material to the financial statements and may not be detected in a timely manner by employees in the normal course of performing their assigned duties.

**Cause:**

The Regional Office has not followed established internal control procedures.

**Recommendation:**

- A. All employee contracts should be signed and approved by either the Regional Superintendent or the Assistant Regional Superintendent.
- B. Individuals approving the direct deposit voucher should document their review and approval with a live signature or initials.
- C. The individuals reviewing and approving vendor disbursement checks and the check preparer should perform a three-way match between the vendor invoice, the payment authorization form, and the check.
- D. Documentation of the review and approval of bank reconciliations should be maintained.
- E. Addressees of checks should not also be the authorizer of payment and/or check signer.

**Management's Response:**

The Regional Office of Education #40 agrees with the finding and will make every effort to follow established internal controls.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2012**

**SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)**

**Finding No.: 12-03 – Inadequate Monitoring of Collateral on Deposits**

**Criteria/specific requirement:**

The Public Funds Deposit Act (30 ILCS 225/1) gives the authorization for deposits in excess of the federally insured limit to be covered by pledged collateral held by the financial institutions' trust departments in the Regional Office of Education #40's name. In addition, prudent business practice requires that all cash and investments held by financial institutions for the Regional Office of Education be adequately covered by depository insurance or collateral.

**Condition:**

As of June 30, 2012, cash account balances with one financial institution exceeded the Federal Deposit Insurance Corporation (FDIC) coverage by \$103,693. The FDIC covers deposit balances up to a maximum of \$250,000 at each financial institution. No arrangement had been made with the bank to provide additional collateral for balances exceeding the FDIC coverage.

**Effect:**

Failure to secure full collateral on cash balances may result in monetary losses to the Regional Office of Education #40.

**Cause:**

According to the Regional Office of Education #40 management, their cash balances at each financial institution have historically remained less than the FDIC coverage. Due to management oversight, the bank was not requested to provide additional collateral for balances exceeding the FDIC coverage.

**Recommendation:**

The Regional Office of Education #40 should monitor collateral held for its bank accounts. The Regional Office of Education #40 should also establish controls for confirming amounts pledged by the bank on a regular basis, especially when cash balances exceed the FDIC level.

**Management's Response:**

The Regional Office of Education #40 agrees with the finding. Management met with bank personnel and prepared an agreement for additional collateral for the Regional Office of Education's bank balances and requested a regular statement showing the amounts that have been pledged. The Regional Office of Education #40's staff will more closely monitor collateral pledged on bank account balances.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2012**

**CORRECTIVE ACTION PLAN**

**Finding No.: 12-01 – Controls Over Financial Statement Preparation**

**Condition:**

The Regional Office of Education #40 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting. 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, or deferred revenue. While the Regional Office did maintain records to indicate the balances of some accounts payable, accounts receivable, and deferred revenue, the Regional Office's financial information required several adjusting entries to present the financial statements in accordance with generally accepted accounting principles.
- Several prior year proposed audit entries were either not correctly recorded or not correctly reversed, as necessary.
- Transfers and due to/from other fund amounts were not always correctly recorded. Adjusting audit entries were necessary to net transfers and due to/from other funds to zero.

**Plan:**

A financial consultant from Macoupin County will continue to assist the Regional Office during FY2013 to help address this finding. The individual will specifically review the items noted above in his review of the financial statements and will assist the Regional Office with its year-end closing entries. The Regional Office believes this action will help address this finding during FY2013.

**Anticipated Date of Completion:**

Prior to the FY2013 audit.

**Name of Contact Person:**

Mr. Larry Pfeiffer, Regional Superintendent

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2012**

**CORRECTIVE ACTION PLAN**

**Finding No.: 12-02 – Ineffective Internal Control Procedures**

**Condition:**

We noted the following weaknesses in the Regional Office of Education's internal control system:

- A. One (1) employee contract out of 40 was not signed by either the Regional Superintendent or the Assistant Regional Superintendent.
- B. Eight (8) instances out of 40 in which the individual approving the direct deposit voucher used a checkmark to document his review and approval, rather than a signature or initials.
- C. One (1) instance out of 60 in which the vendor invoice did not agree to the check written or to the payment authorization form.
- D. Bank reconciliations are not consistently signed or initialed by the reviewer as documentation of their review and approval.
- E. Internal controls over checks paid to the check authorizers are not designed effectively. In these instances, the addressee of the check is also the authorizer of payment and/or check signer.

**Plan:**

- A. All employee contracts will be signed and approved by either the Regional Superintendent or the Assistant Regional Superintendent.
- B. Individuals approving the direct deposit voucher will document their review and approval with a live signature or initials.
- C. The individuals reviewing and approving vendor disbursement checks and the check preparer will perform a three-way match between the vendor invoice, the payment authorization form, and the check.
- D. Documentation of the review and approval of bank reconciliations will be maintained.
- E. Addressees of checks will not also be the authorizer of payment and/or check signer.

**Anticipated Date of Completion:**

Prior to the FY2013 audit.

**Name of Contact Person:**

Mr. Larry Pfeiffer, Regional Superintendent

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2012**

**CORRECTIVE ACTION PLAN**

**Finding No.: 12-03 – Inadequate Monitoring of Collateral on Deposits**

**Condition:**

As of June 30, 2012, cash account balances with one financial institution exceeded the Federal Deposit Insurance Corporation (FDIC) coverage by \$103,693. The FDIC covers deposit balances up to a maximum of \$250,000 at each financial institution. No arrangement had been made with the bank to provide additional collateral for balances exceeding the FDIC coverage.

**Plan:**

Management met with bank personnel and prepared an agreement for additional collateral for the Regional Office of Education's bank balances and requested a regular statement showing the amounts that have been pledged. The Regional Office of Education #40's staff will more closely monitor collateral pledged on bank account balances.

**Anticipated Date of Completion:**

Prior to the FY2013 audit.

**Name of Contact Person:**

Mr. Larry Pfeiffer, Regional Superintendent

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2012**

<b><u>Finding Number</u></b>	<b><u>Condition</u></b>	<b><u>Current Status</u></b>
11-01	Controls Over Financial Statement Preparation	Repeated as Finding 12-01
11-02	Ineffective Internal Control Procedures	Repeated as Finding 12-02

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2012**

The Regional Office of Education #40 for the Counties of Calhoun, Greene, Jersey, and Macoupin 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, 2012 with comparative information for the year ended June 30, 2011. Readers are encouraged to consider the information in conjunction with the Regional Office of Education #40's financial statements that follow.

**2012 FINANCIAL HIGHLIGHTS**

- Within the Governmental Funds, the General Fund revenues decreased by \$22,754 from \$691,090 in FY11 to \$668,336 in FY12. General Fund expenditures increased by \$112,503 from \$544,337 in FY11 to \$656,840 in FY12.
- Within the Governmental Funds, the Special Revenue Fund revenue decreased by \$430,163 from \$901,438 in FY11 to \$471,275 in FY12. The Special Revenue Fund expenditures decreased by \$457,072 from \$840,636 in FY11 to \$383,564 in FY12.

**USING THIS REPORT**

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Regional Office of Education #40'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 #40 as a whole and present an overall view of the Office's finances.
- Fund financial statements report the Regional Office of Education #40'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 needed for a full understanding of the data provided in the basic financial statements.
- Required supplementary information further explains and supports the financial statements and supplementary information provides detailed information about the non-major funds.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2012**

**REPORTING THE OFFICE 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 #40 as a whole. The Statement of Net Assets includes all of the 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, using accounting methods similar to those used by private-sector companies.

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 financial 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 Regional Office's overall health, additional non-financial factors, such as new laws, rules, regulations, and actions by officials at the state level need to be considered.

The government-wide financial statements present the Office's activities as governmental activities and business-type activities. Local, state, and federal aid finance most of these activities.

The fund financial statements provide detailed information about the Regional Office's funds, focusing on its most significant or "major" funds. Funds are accounting devices which allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by state law. The Regional Office of Education #40 established other funds to control and manage money for particular purposes.

The Regional Office of Education #40 has three kinds of funds:

- 1) Governmental funds account for most of the Regional Office of Education #40's services. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Office's programs. The Regional Office of Education #40's governmental funds include the General Fund and the Special Revenue Funds.

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

- 2) Proprietary funds, namely, Administrators' Academy and Workshops are used to report the same functions presented as business-type activities in the Government-wide financial statements, only in more detail.

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

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2012**

**REPORTING THE OFFICE AS A WHOLE (CONCLUDED)**

The Statement of Net Assets and the Statement of Activities (Concluded)

- 3) Fiduciary funds are used to account for assets held by the Regional Office of Education #40 in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

A summary reconciliation between the Government-wide financial statements and the governmental fund financial statements follows the governmental fund financial statements.

**OFFICE-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve when examined over time as one indicator of the financial position of the Regional Office of Education #40. The net assets at the end of the FY12 totaled \$502,652. At the end of FY11, the net assets were \$473,398. The analysis that follows provides a summary of the Office's net assets at June 30, 2012 and 2011.

CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current Assets	\$ 471,979	\$ 444,411	\$ 2,971	\$ 15,338	\$ 474,950	\$ 459,749
Capital Assets, net	35,167	30,709	1,850	2,067	37,017	32,776
<b>TOTAL ASSETS</b>	<b>507,146</b>	<b>475,120</b>	<b>4,821</b>	<b>17,405</b>	<b>511,967</b>	<b>492,525</b>
Current Liabilities	9,236	17,226	79	-	9,315	17,226
Noncurrent Liabilities	-	1,901	-	-	-	1,901
<b>TOTAL LIABILITIES</b>	<b>9,236</b>	<b>19,127</b>	<b>79</b>	<b>-</b>	<b>9,315</b>	<b>19,127</b>
Net Assets:						
Invested in Capital Assets, net of related debt, restated	33,266	26,656	1,850	2,067	35,116	28,723
Restricted for educational purposes	78,561	54,531	-	-	78,561	54,531
Unrestricted	386,083	374,806	2,892	15,338	388,975	390,144
<b>TOTAL NET ASSETS</b>	<b>\$ 497,910</b>	<b>\$ 455,993</b>	<b>\$ 4,742</b>	<b>\$ 17,405</b>	<b>\$ 502,652</b>	<b>\$ 473,398</b>

- Net assets of the Regional Office of Education #40 increased by \$29,254 from FY12.
- Governmental activities increased the net assets of the Regional Office of Education #40 by \$41,917.
- Business-type activities decreased the net assets of the Regional Office of Education #40 by \$12,663.
- Certain net assets related to the Education Fund are considered restricted for educational purposes.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2012**

**OFFICE-WIDE FINANCIAL ANALYSIS (CONCLUDED)**

CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 66,550	\$ 64,166	\$ 66,550	\$ 64,166
Operating grants & contributions	315,838	606,291	-	-	315,838	606,291
General revenues:						
Local sources	270,352	241,772	-	-	270,352	241,772
State sources	207,047	367,724	-	-	207,047	367,724
On-behalf payments - State	281,997	312,320	-	-	281,997	312,320
Interest	477	5	-	-	477	5
TOTAL REVENUES	1,075,711	1,528,112	66,550	64,166	1,142,261	1,592,278
Expenses:						
Program expenses:						
Instructional services:						
Salaries and benefits	525,337	552,524	-	-	525,337	552,524
Purchased services	173,085	292,150	-	-	173,085	292,150
Supplies and materials	36,360	52,350	-	-	36,360	52,350
Payments to other governments	-	162,278	-	-	-	162,278
Other objects	4,104	4,705	-	-	4,104	4,705
Interest expense	-	-	-	-	-	-
Depreciation	12,911	17,367	-	-	12,911	17,367
Loss on disposal of capital assets	-	6,968	-	-	-	6,968
Administrative expenses:						
On-behalf payments - State	281,997	312,320	-	-	281,997	312,320
Business-type expenses:						
Instructional	-	-	79,213	51,365	79,213	51,365
TOTAL EXPENSES	1,033,794	1,400,662	79,213	51,365	1,113,007	1,452,027
Changes in Net Assets before Transfers	41,917	127,450	(12,663)	12,801	29,254	140,251
Transfers	-	1,715	-	(1,715)	-	-
Changes in Net Assets	41,917	129,165	(12,663)	11,086	29,254	140,251
Net Assets, beginning, restated	455,993	326,828	17,405	6,319	473,398	333,147
Net Assets, end of year	\$ 497,910	\$ 455,993	\$ 4,742	\$ 17,405	\$ 502,652	\$ 473,398

**FINANCIAL ANALYSIS OF THE REGIONAL OFFICE OF EDUCATION #40 FUNDS**

As previously noted, the Regional Office of Education #40 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency's Governmental Funds report combined fund balances of \$464,644 for FY12, compared to \$364,960 for FY11.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2012**

**FINANCIAL ANALYSIS OF THE REGIONAL OFFICE OF EDUCATION #40 FUNDS  
(CONTINUED)**

**Governmental Fund Highlights:**

-For their fiscal year ended August 31, 2012, Macoupin County continued to support the ROE at 100% with a little over .02% increase from FY11 with the Regional Office of Education #40 continuing to pay the insurance premium for the employees.

-For their fiscal year ended November 30, 2012, Jersey County continued to support the ROE at 100% with less than a .01% decrease from FY11.

-For their fiscal year ended August 31, 2012, Calhoun County continued to support the ROE at 100% with less than a .01% increase over FY11.

-For their fiscal year ended December 30, 2012, Greene County continued to support the ROE at 50% with less than a .01% increase over FY11.

-Greene County still continues to only pay 50% of their budgeted amount.

The following changes occurred in governmental fund revenues:

- Local sources increased \$28,580.
- State sources decreased \$288,634.
- Federal sources decreased by \$162,540.
- On behalf payments decreased from state sources \$30,323.

In total, governmental fund revenues decreased by \$452,917 and governmental fund expenditures decreased by \$344,569 for FY12. The overall decrease in revenues was due to state revenues decreasing as a result of funding cuts for Regional Safe Schools and ROE/ISC Operations and the Teacher and Administrators Mentoring Program ending in early FY12 and federal revenues decreasing due to one-time ARRA monies received during FY11 and the Reading First Program and Teen Parent Services grants ending during FY11. The overall decrease in expenditures was due mainly to these decreases in state and federal funding.

The State aid foundation level used to calculate the state aid received in FY12 remained at \$6,119 per student.

**Proprietary Fund Highlights:**

The increase in proprietary fund revenues was due to offering more Administrators' Academy workshops. However, the increase in expenditures was due to hiring outside presenters, which required more supplies.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2012**

**FINANCIAL ANALYSIS OF THE REGIONAL OFFICE OF EDUCATION #40 FUNDS  
(CONCLUDED)**

**Budgetary Highlights:**

The Regional Office of Education #40 did not adopt annual budgets, nor are they legally required to, for all funds under its control. The Regional Superintendent annually prepares an Office Operation Budget and submits it to the four county boards for their approval. The Macoupin County Budget and Calhoun County Budget cover a fiscal year which runs from September 1 through August 31. The Jersey County Budget runs from December 1 through November 30. The Greene County Budget runs from January 1 through December 31. Since these budgets are not based on the same operating period as the Regional Office, they are not presented.

Budgetary reports are presented for certain programs funded by the Illinois State Board of Education and the Illinois Community College Board. These budgets must be prepared and submitted to the awarding agencies for approval. Over the course of the year, the Regional Office amended several of its grant budgets to reflect adjustments in revenue and expenditures associated with changes in funding from the federal and state sources or for additional services and supplies needed. Schedules showing the original budgets and final grant budget amounts compared to the Regional Office's actual financial activity are included in the supplementary information section of this report.

**Capital Assets:**

Capital assets of the Regional Office of Education #40 include office equipment, computers, audio-visual equipment, office furniture, and building improvements. The Regional Office of Education #40 maintains an inventory of capital assets which have been accumulated over time. For FY12, net capital assets increased by \$4,241. Total capital outlay for FY12 was \$17,369 for governmental funds and \$1,000 for proprietary funds.

**Long-Term Debt:**

On April 25, 2008, the Regional Office of Education #40 entered into a five-year loan agreement for \$10,050 for the purpose of purchasing a copier for the office. The remaining balance to be paid at June 30, 2012 was \$1,901.

**Economic Factors and Next Year's Budget:**

At the time these financial statements were prepared and audited, the Regional Office of Education #40 was aware of several existing circumstances that could affect its financial health in the future.

- The State of Illinois Foundation level used in the calculation has remained the same at \$6,119 per student with the expectation for prorated funding.
- Most grants will decrease for FY13.
- Due to problems of receiving revenues from the State and programs being cut, the ROE expects significant financial hardship for FY13.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2012**

**CONTACTING THE REGIONAL OFFICE OF EDUCATION #40'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Regional Office of Education #40's citizens, taxpayers, clients, and other constituents with a general overview of its finances and to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent at the Regional Office of Education #40, 220 North Broad Street, Carlinville, IL 62626.

## **BASIC FINANCIAL STATEMENTS**

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 349,994	\$ 3,504	\$ 353,498
Internal balances	533	(533)	-
Due from other governments	121,452	-	121,452
<b>Total Current Assets</b>	<u>471,979</u>	<u>2,971</u>	<u>474,950</u>
<b>Noncurrent Assets</b>			
Capital assets, being depreciated, net	<u>35,167</u>	<u>1,850</u>	<u>37,017</u>
<b>Total Noncurrent Assets</b>	<u>35,167</u>	<u>1,850</u>	<u>37,017</u>
<b>Total Assets</b>	<u>507,146</u>	<u>4,821</u>	<u>511,967</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	1,656	79	1,735
Accrued wages and benefits	267	-	267
Notes payable, current	1,901	-	1,901
Deferred revenue	<u>5,412</u>	<u>-</u>	<u>5,412</u>
<b>Total current liabilities</b>	<u>9,236</u>	<u>79</u>	<u>9,315</u>
<b>Total Liabilities</b>	<u>9,236</u>	<u>79</u>	<u>9,315</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	33,266	1,850	35,116
Restricted for educational purposes	78,561	-	78,561
Unrestricted	<u>386,083</u>	<u>2,892</u>	<u>388,975</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 497,910</u>	<u>\$ 4,742</u>	<u>\$ 502,652</u>

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

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2012**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
<b>Primary Government</b>							
Governmental activities							
Instructional services							
Salaries	\$ 466,166	\$ -	\$ 251,595	\$ -	\$ (214,571)	\$ -	\$ (214,571)
Employee benefits	59,171	-	16,588	-	(42,583)	-	(42,583)
Purchased services	173,085	-	30,256	-	(142,829)	-	(142,829)
Supplies and materials	36,360	-	13,855	-	(22,505)	-	(22,505)
Other	4,104	-	-	-	(4,104)	-	(4,104)
Depreciation	12,911	-	3,544	-	(9,367)	-	(9,367)
Administrative							
On-behalf payments - State	281,997	-	-	-	(281,997)	-	(281,997)
Total Governmental Activities	<u>1,033,794</u>	<u>-</u>	<u>315,838</u>	<u>-</u>	<u>(717,956)</u>	<u>-</u>	<u>(717,956)</u>
Business-type activities							
Instructional	<u>79,213</u>	<u>66,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,663)</u>	<u>(12,663)</u>
Total Business-Type Activities	<u>79,213</u>	<u>66,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,663)</u>	<u>(12,663)</u>
Total Primary Government	<u>\$ 1,113,007</u>	<u>\$ 66,550</u>	<u>\$ 315,838</u>	<u>\$ -</u>	<u>(717,956)</u>	<u>(12,663)</u>	<u>(730,619)</u>
General revenues							
Local sources					270,352	-	270,352
State sources					207,047	-	207,047
On-behalf payments - State					281,997	-	281,997
Interest					477	-	477
Total General Revenues					<u>759,873</u>	<u>-</u>	<u>759,873</u>
Change in Net Assets					41,917	(12,663)	29,254
Net Assets - Beginning					455,993	17,405	473,398
Net Assets - Ending					<u>\$ 497,910</u>	<u>\$ 4,742</u>	<u>\$ 502,652</u>

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

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2012**

	General Fund	Education Fund	Other Non-Major Funds	Eliminations	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 266,066	\$ 5,744	\$ 78,184	\$ -	\$ 349,994
Due from other funds	67,746	-	-	(67,213)	533
Due from other governments	53,784	66,289	1,379	-	121,452
	<u>387,596</u>	<u>72,033</u>	<u>79,563</u>	<u>(67,213)</u>	<u>471,979</u>
<b>Total Assets</b>	<b>\$ 387,596</b>	<b>\$ 72,033</b>	<b>\$ 79,563</b>	<b>\$ (67,213)</b>	<b>\$ 471,979</b>
<b>Liabilities</b>					
Accounts payable	\$ 594	\$ 49	\$ 1,013	\$ -	\$ 1,656
Accrued wages and benefits	267	-	-	-	267
Due to other funds	4,612	62,601	-	(67,213)	-
Deferred revenue	-	208	5,204	-	5,412
<b>Total liabilities</b>	<u>5,473</u>	<u>62,858</u>	<u>6,217</u>	<u>(67,213)</u>	<u>7,335</u>
<b>Fund Balance</b>					
Restricted	-	9,175	69,386	-	78,561
Committed	-	-	3,960	-	3,960
Assigned	64,945	-	-	-	64,945
Unassigned	317,178	-	-	-	317,178
<b>Total Fund Balances</b>	<u>382,123</u>	<u>9,175</u>	<u>73,346</u>	<u>-</u>	<u>464,644</u>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 387,596</b>	<b>\$ 72,033</b>	<b>\$ 79,563</b>	<b>\$ (67,213)</b>	<b>\$ 471,979</b>

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

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO**  
**THE STATEMENT OF NET ASSETS**  
**June 30, 2012**

Total Fund Balances - Governmental Funds	\$ 464,644
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, net of accumulated depreciation of \$230,532	35,167
Long-term liabilities are not due and payable in the current period and; therefore, are not reported in the funds.	<u>(1,901)</u>
Net Assets of Governmental Activities	<u><u>\$ 497,910</u></u>

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

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2012**

	General Fund	Education Fund	Other Non-Major Funds	Eliminations	Total Governmental Funds
<b>Revenues</b>					
Local sources	\$ 206,939	\$ -	\$ 63,413	\$ -	\$ 270,352
State sources	179,400	355,699	27,647	-	562,746
State sources - payments made on behalf of region	281,997	-	-	-	281,997
Federal sources	-	24,516	-	-	24,516
Total Revenues	<u>668,336</u>	<u>380,215</u>	<u>91,060</u>	<u>-</u>	<u>1,139,611</u>
<b>Expenditures</b>					
<b>Instructional Services</b>					
Salaries	194,628	245,196	26,342	-	466,166
Employee benefits	40,365	16,166	2,640	-	59,171
Purchased services	114,422	29,486	29,177	-	173,085
Supplies and materials	19,603	13,503	3,254	-	36,360
Capital outlay	5,825	11,544	-	-	17,369
Other	-	-	6,256	-	6,256
Payments made on behalf of region	281,997	-	-	-	281,997
Total Expenditures	<u>656,840</u>	<u>315,895</u>	<u>67,669</u>	<u>-</u>	<u>1,040,404</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>11,496</u>	<u>64,320</u>	<u>23,391</u>	<u>-</u>	<u>99,207</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	1,167	-	-	(1,167)	-
Transfers out	-	-	(1,167)	1,167	-
Interest	-	57	420	-	477
Total Other Financing Sources (Uses)	<u>1,167</u>	<u>57</u>	<u>(747)</u>	<u>-</u>	<u>477</u>
Net Change in Fund Balance	12,663	64,377	22,644	-	99,684
Fund Balances (Deficits) - Beginning	<u>369,460</u>	<u>(55,202)</u>	<u>50,702</u>	<u>-</u>	<u>364,960</u>
Fund Balances - Ending	<u>\$ 382,123</u>	<u>\$ 9,175</u>	<u>\$ 73,346</u>	<u>\$ -</u>	<u>\$ 464,644</u>

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

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2012**

Net Change in Fund Balance - Total Governmental Funds \$ 99,684

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

Some revenues will not be collected for several months after the Regional Office's fiscal year ends. They are not considered "available" revenues and are deferred in the governmental funds.

FY2011 deferred revenue recognized in FY2012 - State sources (64,377)

Governmental funds report capital outlays as expenditures and proceeds from disposals as revenue. However, in the Statement of Activities the cost of those assets, which meet capitalization requirements, is allocated over their estimated useful lives and reported as depreciation expense and gains and losses are reported on disposals.

Capital outlay	\$ 17,369	
Depreciation expense	<u>(12,911)</u>	4,458

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt.

2,152

Change in Net Assets of Governmental Activities \$ 41,917

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

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2012**

	Business-Type Activities Enterprise Funds		Total
	Workshops	Nonmajor Administrators' Academy	
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 3,504	\$ -	\$ 3,504
<b>Total Current Assets</b>	<u>3,504</u>	<u>-</u>	<u>3,504</u>
<b>Noncurrent Assets</b>			
Capital assets, net of accumulated depreciation	1,850	-	1,850
<b>Total Noncurrent Assets</b>	<u>1,850</u>	<u>-</u>	<u>1,850</u>
<b>TOTAL ASSETS</b>	<u>5,354</u>	<u>-</u>	<u>5,354</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	79	-	79
Due to other funds	-	533	533
<b>Total current liabilities</b>	<u>79</u>	<u>533</u>	<u>612</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,850	-	1,850
Unrestricted	3,425	(533)	2,892
<b>TOTAL NET ASSETS</b>	<u>\$ 5,275</u>	<u>\$ (533)</u>	<u>\$ 4,742</u>

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

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2012**

	Business-Type Activities		Total
	Enterprise Funds		
	Workshops	Nonmajor Administrators' Academy	
Operating Revenues			
Charge for Services	\$ 60,185	\$ 6,365	\$ 66,550
Total Operating Revenues	<u>60,185</u>	<u>6,365</u>	<u>66,550</u>
Operating Expenses			
Salaries	18,845	1,400	20,245
Employee benefits	278	20	298
Purchased services	49,058	2,628	51,686
Supplies and materials	5,733	34	5,767
Depreciation	1,217	-	1,217
Total Operating Expenses	<u>75,131</u>	<u>4,082</u>	<u>79,213</u>
Change in Net Assets	(14,946)	2,283	(12,663)
Net Assets - Beginning	<u>20,221</u>	<u>(2,816)</u>	<u>17,405</u>
Net Assets - Ending	<u>\$ 5,275</u>	<u>\$ (533)</u>	<u>\$ 4,742</u>

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

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2012**

	Business-Type Activities Enterprise Funds		Total
	Workshops	Nonmajor Administrators' Academy	
Cash flows from operating activities:			
Receipts from customers	\$ 60,185	\$ 6,365	\$ 66,550
Payments to suppliers and providers for goods and services	(54,712)	(2,662)	(57,374)
Payments to employees	(19,123)	(1,420)	(20,543)
Net cash provided by (used for) operating activities	<u>(13,650)</u>	<u>2,283</u>	<u>(11,367)</u>
Cash flows from noncapital financing activities:			
Interfund loans received (made)	-	533	533
Repayment of interfund loans	18,154	(2,816)	15,338
Net cash provided by (used for) noncapital financing activities	<u>18,154</u>	<u>(2,283)</u>	<u>15,871</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,000)	-	(1,000)
Net cash provided by (used for) capital and related financing activities	<u>(1,000)</u>	<u>-</u>	<u>(1,000)</u>
Net increase (decrease) in cash and cash equivalents	3,504	-	3,504
Cash and cash equivalents - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents - end of year	<u>\$ 3,504</u>	<u>\$ -</u>	<u>\$ 3,504</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (14,946)	\$ 2,283	\$ (12,663)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	1,217	-	1,217
Change in assets and liabilities:			
Increase in accounts payable	79	-	79
Net cash provided by (used for) operating activities	<u>\$ (13,650)</u>	<u>\$ 2,283</u>	<u>\$ (11,367)</u>

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

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2012**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 31,780
Total Assets	\$ 31,780
Liabilities	
Due to other governments	\$ 31,780
Total Liabilities	\$ 31,780

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

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Regional Office of Education #40 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

In 2012, the Regional Office of Education #40 implemented Governmental Accounting Standards Board (GASB) Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. The Regional Office of Education #40 implemented these standards during the current year; however, GASB Statement No. 64 had no impact on the financial statements. The implementation of GASB Statement No. 57 amends GASB Statement No. 45, permitting an agent employer with an OPEB with fewer than 100 plan members to use the alternative measurement method to produce actuarially based information for purposes of financial reporting.

A. Date of Management's Review

Management has evaluated subsequent events through May 30, 2013, the date when the financial statements were available to be issued.

B. Financial Reporting Entity

The Regional Superintendent is charged with responsibility for registration of the names of applicants for scholarships to State controlled universities; examinations and related duties; visitation of public schools; direction of teachers and school officers; to serve as the official advisor and assistant of school officers and teachers; to conduct teachers institutes as well as to aid and encourage the formation of other teachers' meetings and assist in their management; evaluate the schools in the region; examine evidence of indebtedness; file and keep 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 money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education #40'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 or permitted by law.

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

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Financial Reporting Entity (Concluded)**

The Regional Superintendent is also responsible for apportionment and payment of funds received from the State for the districts in the Regional Office of Education #40, 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, 2012, the Regional Office of Education #40 applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in Regional Office of Education #40. Such activities are reported as a single major fund (Education Fund).

**C. Scope of Reporting Entity**

The Regional Office of Education #40's reporting entity includes all related organizations for which they exercise oversight responsibility.

The Regional Office of Education #40 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the Regional Office of Education #40, including districts or joint agreements which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the Regional Office of Education #40 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The districts and joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the Regional Office of Education #40 does not control the assets, operations, or management of the districts or joint agreements. In addition, the Regional Office of Education #40 is not aware of any entity, which would exercise such oversight as to result in the Regional Office of Education #40 being considered a component unit of the entity.

**D. Government-Wide and Fund Financial Statements**

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Regional Office of Education #40's activities with most of the interfund activities removed. Governmental activities include programs supported primarily by State and federal grants and other intergovernmental revenues. The Regional Office of Education #40 has two business-type activities that rely on fees and charges for support.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Government-Wide and Fund Financial Statements (Concluded)

The Regional Office of Education #40's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Regional Office of Education #40 accompanied by a total column. These statements are presented on an "economic resources" measurement focus as prescribed by GASB Statement No. 34. All of the Regional Office of Education #40's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Assets. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges for services, and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and proprietary funds are reported as separate columns in the fund financial statements.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, such as, payables, receivables and transfers. Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the governmental fund Balance Sheet and proprietary fund Statement of Net Assets and as other sources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and the proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Assets. All interfund transactions between governmental funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and business-type funds remain as due to/due from on the government-wide financial statements.

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

E. Proprietary Fund Financial Statements

Proprietary fund 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 for each major proprietary fund and nonmajor funds aggregated.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Proprietary Fund Financial Statement (Concluded)

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

F. Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the government-wide financial statements.

The governmental fund financial statements have been prepared in accordance with generally accepted accounting principles on the modified accrual basis. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues received more than 60 days after the end of the current period are deferred in the governmental fund financial statements but are recognized as current revenues in the government-wide financial statements. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for prepaid expenses and other long-term obligations, which are recognized when paid.

G. Measurement Focus and Basis of Accounting

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

The governmental funds financial statements focus on the measurement of spending or "financial flow" and the determination of changes in financial position, rather than upon net income determination. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

G. Measurement Focus and Basis of Accounting (Concluded)

amounts will be paid to the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Under the terms of grant agreements, Regional Office of Education #40 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 Regional Office of Education #40's policy to first apply restricted funds, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned if any.

H. Fund Accounting

The Regional Office of Education #40 uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Regional Office of Education #40 uses governmental, proprietary, and fiduciary funds.

*Governmental Funds*

Governmental funds are those through which most governmental functions of the Regional Office of Education #40 are typically reported. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as a fund balance.

As prescribed by GASB Statement No. 34, governmental fund reporting focuses on the major funds, rather than on the fund type. There is a two-step process for determining if a fund should be reported as a major fund: 1) total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for the fund type, and 2) total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and proprietary funds combined. Funds that do not meet the major fund determination requirements are reported in aggregate as nonmajor funds. The Regional Office of Education #40 has presented all major funds that met the above qualifications.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. Fund Accounting (Continued)

*Governmental Funds (Continued)*

The Regional Office of Education #40 reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Regional Office of Education #40. It is used to account for all financial resources, which benefit all school districts in the region except those required to be accounted and reported for in another fund. General funds include the following:

Administrative Fund - This fund is the general operating fund of the Regional Office of Education #40. It is used to account for all financial resources except those required to be accounted for in another fund.

Alternative Schools Fund – This fund accounts for monies received to educate, serve, and support students, at no cost to the students, in an effort to improve the quality of life of high school dropouts. The funds are used to provide basic skills, obtain high school credit, or prepare for the GED test.

Direct Services – This fund is used for student testing and cooperative services conducted through the Regional Office of Education for the benefit of member districts.

General State Aid – This fund accounts for General State Aid used for the general operations of the Regional Safe Schools program.

Jerseyville Office Account – Accounts for operations at the Jerseyville Regional Office of Education #40.

Macoupin County Monies – Monies received from Macoupin County to pay ROE expenses, such as payroll, phone, rent and office supplies.

Regional Initiative Fund – This fund is utilized for special regional initiatives with the consent and approval of the Macoupin County district superintendents.

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

Education – This fund is used to account for and report the proceeds of specific revenue sources that are restricted by grant agreements or contracts to expenditures for specific purposes supporting education enhancement programs as follows:

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. Fund Accounting (Continued)

*Governmental Funds (Continued)*

Adult Education - This fund accounts for monies received from the Illinois Community College Board (ICCB) for academic and vocational adult education programs including the following:

Federal Basic – This fund accounts for federal monies received from the ICCB which provide for adult basic education (GED) services for adult education clients.

Public Assistance – This fund accounts for State monies received from the ICCB for vocational training for adult education clients including computer and certified nurse assistant classes.

State Basic – This fund accounts for State monies received from the ICCB for vocational training and can be used the same as Public Assistance funds.

State Performance – This fund accounts for State monies received from the ICCB that can be used for any purpose that supports the adult education program.

ARRA – Education Jobs Funds for Adult Education – Under the Federal American Recovery and Reinvestment Act, Regional Office of Education #40 Adult Learning Center received funding through the State Fiscal Stabilization Fund to pay salaries of administration, teachers and support staff, purchase textbooks and equipment, support programs designed to prepare school drop-outs and adult learners for the GED certificates, and to meet the general expenses of the Adult Education Center. All funding is subject to stringent accountability and reporting requirements.

Mini Grants – Provides funds to increase student academic achievement by evaluating teacher and principal quality and to support reform efforts aimed at improving education. This fund includes the Title II – Teacher Quality (2012-4932-00) program.

National School Lunch – Used to account for the monies received from students and federal funds for reimbursement for meals served through the school lunch program at the regular price as well as reimbursement of free and reduced-price meals for students enrolled in the Regional Safe Schools Program.

Regional Safe Schools – This program provides instruction services and materials for an alternative school program for at-risk youth who are eligible for suspension or expulsion from their home school districts, creating alternative placement for those students into a safe school program.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. Fund Accounting (Continued)

*Governmental Funds (Continued)*

ARRA – Education Jobs Funds for Safe Schools – Under the Federal American Recovery and Reinvestment Act, Regional Office of Education #40 Safe School received funding through the State Fiscal Stabilization Fund to pay salaries of administration, teachers and support staff, purchase textbooks and equipment, support programs designed to address the educational needs of at-risk students and academic failure in lieu of suspension or expulsion from their local school district, and to meet the federal expenses of the Safe School Program. All funding is subject to stringent accountability and reporting requirements.

Regional Office of Education/ Intermediate Service Centers (ROE/ISC) Operations – This fund accounts for monies received and payment of expenditures in assisting schools in all areas of school improvement.

Teacher and Administrators Mentoring Program – The purpose of this program is to develop a mentoring program that will service the needs of the ROE’s teachers and administrators in its fifteen school districts.

Truants Alternative/Optional Education – This fund provides alternative educational program services to truant students referred from local schools to the Regional Office of Education #40.

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

Bus Driver Permit Fund – Accounts for funds received from registrations and user fees which are used to test and train bus drivers.

General Education Development Fund – Accounts for the administration of the General Education Development (GED) Testing Program with revenues from testing and diploma fees used to pay administrative expenses incurred.

Institute – Accounts for the stewardship of the assets held in trust for the benefit of teachers. The money is used to provide institutes, conferences, and workshops. All funds generated remain restricted until expended only on the aforementioned activities.

Olympiad Fund – Accounts for a four-day event involving gifted students using activities designed directly applicable to the State Learning Standards. These activities are intended to challenge students to exercise higher level intellectual skills and talents.

Seventh Judicial Family Violence Prevention Fund – Provides instruction for violence prevention in the school districts.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. Fund Accounting (Concluded)

*Governmental Funds (Concluded)*

Teen Parent Services Fund – Monies received from the Department of Human Services to provide services, such as counseling and GED preparation, for teens who are parents or soon-to-be-parents.

Trustee Fund – Deals with the issue of detachments and annexation of territory from one school district to another.

*Proprietary Funds*

Proprietary funds are those in which revenues and expenses related to services provided to organizations inside the Regional Office of Education #40 on a cost reimbursement basis are reported.

Major Proprietary Funds – The Regional Office of Education #40 reports the following proprietary fund as a major fund:

Workshops – This fund accounts for expenses incurred for workshops that offer either college credit or other professional development activities.

Nonmajor Proprietary Funds – The Regional Office of Education #40 reports the following nonmajor proprietary fund:

Administrators' Academy – Accounts for the process by which local school administrators meet the legislated requirement for training and by which administrators may improve their skills in instructional and administrative leadership.

*Fiduciary Funds*

Agency Funds are used to account for assets held by the Regional Office of Education #40 in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds include the following:

Central Illinois Rural Region Career & Technical Education System – This fund accounts for the assets held in trust for the benefit of the Central Illinois Rural Region Career & Technical Education System.

Birth to Three – This fund accounts for assets held in trust for an agreement between the Regional Office of Education #40 and Jersey Community Unit School District #100 to provide high-quality Prevention Initiative Parent Educators, clarify the roles and responsibilities of all Prevention Initiative personnel, and to provide guidance for the implementation of services. This program meets the needs of participating children ages zero to three and their families.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

I. Governmental Fund Balances

Fund balance is the difference between assets and liabilities in a governmental fund. The following types of fund balances may be presented in the Governmental Funds Balance Sheet and Governmental Funds Combining Schedule of Accounts:

Nonspendable Fund Balance – The portion of a governmental fund’s net assets that are not available to be spent, either short term or long term, in either form or through legal restrictions. The Regional Office of Education #40 has no nonspendable fund balances.

Restricted Fund Balance – The portion of a governmental fund’s net assets that are subject to external enforceable legal restrictions. The following accounts’ fund balances are restricted by grant agreements or contracts: National School Lunch and Regional Safe Schools. The following funds are restricted by Illinois Statute: Bus Driver Permit, General Education Development, and Institute.

Committed Fund Balance – The portion of a governmental fund’s net assets with self-imposed constraints or limitations that have been placed at the highest level of decision making. The following funds have committed fund balances: Olympiad and Trustee.

Assigned Fund Balance – The portion of a governmental fund’s net assets for which an intended use of resources has been denoted. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The following account has an assigned fund balance: Alternative Schools Fund.

Unassigned Fund Balance – Available expendable financial resources in a governmental fund that are not designated for a specific purpose. The following General Fund accounts have unassigned fund balances: Administrative, Direct Services, General State Aid, Jerseyville Office Account, Macoupin County Monies, and Regional Initiative.

J. Net Assets

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

Invested in capital assets - Consists of capital assets, net of accumulated depreciation.

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

Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or invested in capital assets."

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

K. Cash and Cash Equivalents

Cash and cash equivalents consists of cash on deposit. The Regional Office of Education #40 considers all liquid investments, including certificates of deposit, to be cash equivalents.

L. Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more and estimated useful lives of greater than 1 year are recorded at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Equipment and Furniture	3-10 years
Building Improvements	10-15 years

M. Interfund Receivables and Payables

The recordings of due from and due to other funds are a result of various borrowings between funds during the year.

N. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

O. Budget Information

The Regional Office of Education #40 acts as the administrative agent for certain grant programs that are accounted for within the General Fund and the Education Fund. These programs have separate budgets and are required to be reported to the Illinois State Board of Education and Illinois Community College Board; however, none of the annual budgets have been legally adopted, nor are they required to do so. Certain programs within the General Fund and the Special Revenue Fund do not have separate budgets. Comparisons of budgeted and actual results for the following programs are presented as supplementary information: Adult Education – Federal Basic, Adult Education – Public Assistance, Adult Education – State Basic, Adult Education – State Performance, Mini Grants – Title II – Teacher Quality, Regional Safe Schools, ROE/ISC Operations, Teacher and Administrators Mentoring Program, and Truants Alternative/Optional Education.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

P. Compensated Absences

Employees earn vacation days after completing a full year of service. Part-time employees and individuals hired for less than a twelve month position do not accumulate paid vacation time. Vacation pay is considered an expenditure in the year it is paid. All vacation has to be used before fiscal year end, so no accrual is required.

Employees receive one sick day for each month of employment and the unused portion is accumulated and carried forward. Upon termination, employees are not compensated for any unused sick days; therefore, no accruals or reserves have been established.

**NOTE 2: CASH AND CASH EQUIVALENTS**

At June 30, 2012, the carrying amount of the Regional Office of Education #40's government-wide and fiduciary fund deposits were \$353,498 and \$31,780 respectively, and the bank balances were \$400,760 and \$46,603, respectively.

At June 30, 2012, \$343,670 of the Regional Office of Education #40's cash deposits were insured by the Federal Deposit Insurance Corporation. The remaining \$103,693 was uncollateralized.

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the Regional Office of Education's deposits may not be returned to it. The Regional Office of Education #40 does not have a deposit policy for custodial credit risk but follows the Public Funds Investment Act (30 ILCS 235/2 and 6), and Section 8-7 of the School Code.

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Regional Office of Education #40 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk*

The Regional Office of Education #40 is allowed to invest in securities as authorized by Sections 2 and 6 of the Public Funds Investment Act (30 ILCS 235/2 and 6), and Section 8-7 of the School Code. The Regional Office of Education #40 has no investment policy that would further limit its investment choices. As of June 30, 2012 the Regional Office of Education #40 was in compliance with these guidelines.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**NOTE 3: DEFINED BENEFIT PENSION PLAN**

**Plan Description.** The Regional Office of Education #40's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Regional Office of Education #40's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on line at [www.imrf.org](http://www.imrf.org).

**Funding Policy.** As set by statute, the Regional Office of Education #40's Regular plan members are required to contribute 4.50% 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 contribution rate for calendar year 2011 used by Regional Office of Education #40 was 10.63% of annual covered payroll. The employer annual required contribution rate for calendar year 2011 was 13.53%. The Regional Office of Education #40 also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

**Annual Pension Cost.** For calendar year ending December 31, 2011, the Regional Office of Education #40's actual contributions for pension costs for the Regular were \$18,594. The Regional Office of Education #40's required contribution for calendar year 2011 was \$23,666.

**THREE YEAR TREND INFORMATION**

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/11	\$ 23,666	79%	\$ 5,072
12/31/10	19,319	100%	0
12/31/09	30,182	100%	0

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, included a) 7.5% investment rate of return (net of administrative and direct investment expenses), b) projected salary increases of 4.00% a year, attributable to inflation, c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and d) post retirement benefit increases of 3% annually. The actuarial value of the Regional Office of Education #40's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Regional Office of Education #40's Regular plan's unfunded actuarial accrued liability at December 31, 2009 is being amortized as a level percentage of projected payroll on an open 10 year basis.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**NOTE 3: DEFINED BENEFIT PENSION PLAN (CONCLUDED)**

**Funded Status and Funding Progress.** As of December 31, 2011, the most recent actuarial valuation date, the Regular plan was 91.17% funded. The actuarial accrued liability for benefits was \$495,570 and the actuarial value of assets was \$451,825, resulting in an underfunded actuarial accrued liability (UAAL) of \$43,745. The covered payroll for 2011 (annual payroll of active employees covered by the plan) was \$174,918 and the ratio of the UAAL to the covered payroll was 25%.

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

**NOTE 4: TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS**

The Regional Office of Education #40 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 the primary responsibility for funding the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the System's administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2012, was 9.4% 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% for the years ended June 30, 2011 and 2010.

The State of Illinois makes contributions directly to TRS on behalf of the Regional Office of Education #40's TRS-covered employees.

- **On behalf contributions.** The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #40. For the year ended June 30, 2012, the State of Illinois contributions were based on 24.91% of creditable earnings not paid from federal funds, and the Regional Office of Education #40 recognized revenue and expenditures of \$94,848 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2011 and June 30, 2010, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 23.10% (\$83,816) and 23.38% (\$123,707), respectively.

The Regional Office of Education #40 makes other types of employer contributions directly to TRS.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**NOTE 4: TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (CONTINUED)**

- **2.2 formula contributions.** Employers contribute 0.58% of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ending June 30, 2012 were \$1,362. Contributions for the years ending June 30, 2011, and June 30, 2010, were \$1,042 and \$2,006, respectively.
- **Federal and special trust fund contributions.** When TRS members are paid from federal and special trust funds administered by the Regional Office of Education #40, there is a statutory requirement for the Regional Office of Education #40 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective for the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS.

For the year ended June 30, 2012, the employer pension contribution was 24.91% of salaries paid from federal and special trust funds. For the years ended June 30, 2011 and 2010, the employer contribution was 23.10% and 23.38% of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2012, salaries totaling \$18,011 were paid from federal and special trust funds that required employer contributions of \$4,487. For the years ended June 30, 2011 and June 30, 2010, required Regional Office of Education #40 contributions were \$7,857 and \$14,573 respectively.

- **Early Retirement Option.** The Regional Office of Education #40 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% and applies when the member is age 55 at retirement.

For the year ended June 30, 2012, the Regional Office of Education #40 paid no employer contributions to TRS under the ERO program. For the years ended June 30, 2011 and June 30, 2010, the Regional Office of Education #40 paid no employer ERO contributions.

- **Salary increases over 6 percent and excess sick leave.** If the Regional Office of Education #40 grants salary increases over 6% and those salaries are used to calculate a retiree's final average salary, the Regional Office of Education #40 makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases of up to 6%.

For the year ended June 30, 2012, the Regional Office of Education #40 paid \$0 to TRS for employer contributions due on salary increases in excess of 6%. For the years ended June 30, 2011 and June 30, 2010, the Regional Office of Education #40 paid no contributions to TRS for employer contributions due on salary increases in excess of 6%.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**NOTE 4: TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (CONCLUDED)**

If the Regional Office of Education #40 grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, Regional Office of Education #40 makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary rate reported by the granting employer during the four-year sick leave review period, and the TRS total normal cost rate (17.83% of salary during the year ended June 30, 2012).

For the year ended June 30, 2012, the Regional Office of Education #40 paid no TRS contributions for sick leave days granted in the excess of the normal annual allotment. For the years ended June 30, 2011 and 2010, the Regional Office of Education #40 paid no employer contributions granted for sick leave days.

**Further information on TRS.** 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, 2011. The report for the year ended June 30, 2012, is expected to be available in late 2012.

The reports may be obtained by writing to the Teacher's Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, Illinois 62794-9253. The most current report is also available on the TRS Web site at <http://trs.illinois.gov>.

**NOTE 5: OTHER POST EMPLOYMENT BENEFITS**

A. Teacher Health Insurance Security Fund

The Regional Office of Education #40 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 retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants may participate in the state administered participating provider option plan or choose from several managed care options.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The Illinois Department of Healthcare and Family Services (HFS) and the Illinois Department of Central Management Services (CMS) administer the plan with the cooperation of TRS. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by CMS with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to 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 not exceed 105% of the percentage of salary actually required to be paid in the previous fiscal year.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**NOTE 5: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

A. Teacher Health Insurance Security Fund (Concluded)

- **On-behalf contributions to THIS Fund.** The State of Illinois makes employer retiree health insurance contributions on behalf of the Regional Office of Education #40. State contributions are intended to match contributions to the THIS Fund from active members which were 0.88% of pay during the year ended June 30, 2012. State of Illinois contributions were \$2,066 and the Regional Office of Education #40 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2011 and June 30, 2010 were 0.88% and 0.84% of pay, respectively. State contributions on behalf of the Regional Office of Education #40's employees were \$1,581 and \$2,905, respectively.

- **Employer contributions to THIS Fund.** The Regional Office of Education #40 also makes contributions to THIS Fund. The Regional Office of Education #40's contribution was 0.66% during the years ended June 30, 2012 and June 30, 2011, and 0.63% during the year ended and June 30, 2010. For the year ended June 30, 2012, the Regional Office of Education #40 paid \$1,550 to the THIS Fund. For the years ended June 30, 2011 and 2010, the Regional Office of Education #40 paid \$1,185 and \$2,179 to the THIS Fund, respectively, which was 100% of the required contribution.

**Further information on THIS Fund.** 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.

B. Egyptian Area Schools Employee Benefit Trust

**Plan Description.** The Regional Office of Education #40 contributes to the Egyptian Area Schools Employee Benefit Trust (the "Trust"), a cost-sharing multiple-employer defined benefit health care plan administered by the Board of Managers of the Trust. The Trust provides medical benefits to active and retired employees of approximately 180 participating employers. The Trust issues a publicly available financial report that includes financial statements and required supplementary information for the Trust. A copy of the report may be obtained by writing to the Egyptian Area Schools Employee Benefit Trust, c/o Meritain Health, 1109 Hartman Lane, Suite 202, Shiloh, IL 62221, or by calling Meritain Health at (866) 588-2431, Option 3 x 6105. The financial report is also posted on the Trust's website at [www.egtrust.org](http://www.egtrust.org).

**Funding Policy.** The Trust Agreement establishing the Trust provides that contribution rates are established and may be modified by the Board of Managers of the Trust. Contribution rates are normally adjusted as of September 1 each year. As of June 30, 2012, participating employers were contractually required to contribute at the following rates for active and retired employees and dependents.

	Platinum Plan	Gold Plan	Silver Plan	Bronze Plan
Employee (Retiree)	\$686	\$620	\$535	\$456
Employee + spouse	\$1,416	\$1,278	\$1,109	\$938
Employee + child(ren)	\$1,368	\$1,232	\$1,069	\$920
Family	\$1,524	\$1,374	\$1,194	\$1,012

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**NOTE 5: OTHER POSTEMPLOYMENT BENEFITS (CONCLUDED)**

B. Egyptian Area Schools Employee Benefit Trust (Concluded)

Participating employers may require employees and/or retirees to pay some or all of the required contributions to the employer, but the employer has the legal obligation to pay contributions to the Trust. The Regional Office of Education #40 requires retirees to pay 100% of the contribution for the coverage for retirees and their dependents.

The Board of Managers of the Trust sets the employer contribution rates each year based on an actuarial valuation. The Trust's actuary has determined that as of June 30, 2012 the contribution rates exceed the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Regional Office of Education #40's contributions to the Trust for the years ending June 30, 2012, June 30, 2011 and June 30, 2010, were \$28,515, \$24,140 and \$27,408, respectively, which equaled the contractually required contributions each year.

**NOTE 6: INTERFUND RECEIVABLES AND PAYABLES**

Interfund due to / from other fund balances at June 30, 2012 consist of the following individual due to / from other funds in the governmental funds Balance Sheet and the proprietary funds Statement of Net Assets. Balances of the same fund type were eliminated in the government-wide Statement of Net Assets.

Fund	Due From Other Funds	Due to Other Funds
General Funds		
Administrative	\$ 5,146	\$ -
Alternative Schools Fund	48,034	-
General State Aid	14,566	-
Macoupin County Monies	-	4,612
Education Funds		
Adult Education - Public Assistance	-	10,212
Adult Education - State Basic	-	6,144
Adult Education - State Performance	-	5,112
Regional Safe Schools	-	14,566
Truants Alternative/Optional Education	-	26,567
Proprietary Funds		
Administrators' Academy	-	533
	\$ 67,746	\$ 67,746

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**NOTE 7: DUE TO/DUE FROM OTHER GOVERNMENTAL UNITS**

The Regional Office of Education #40's General Fund, Education Fund, Non-major Special Revenue Funds, and Agency Fund, have funds due to and due from various other governmental units which consist of the following:

Due from Other Governments:

General Fund		
Local Governments	\$	53,784
Special Revenue Fund – Education Fund		
Illinois State Board of Education		44,821
Illinois Community College Board		21,468
Special Revenue Fund – Other Non-Major Funds		
Local Governments		1,379
Total	\$	<u>121,452</u>

Due to Other Governments:

Fiduciary Fund – Agency Fund		
Other Local Governments	\$	31,780
Total	\$	<u>31,780</u>

**NOTE 8: CAPITAL ASSETS**

Governmental Activities

Capital asset activity for fiscal year 2012 was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Governmental Funds				
Total Capital Assets	\$ 265,780	\$ 17,369	\$ 17,450	\$ 265,699
Less: Accumulated Depreciation	<u>235,071</u>	<u>12,911</u>	<u>17,450</u>	<u>230,532</u>
Governmental Funds				
Investment in Capital Assets, Net	<u>\$ 30,709</u>	<u>\$ 4,458</u>	<u>\$ -</u>	<u>\$ 35,167</u>

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

**NOTE 8: CAPITAL ASSETS (CONCLUDED)**

Business-Type Activities

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Business-type Activities				
Total Capital Assets	\$ 3,600	\$ 1,000	\$ -	\$ 4,600
Less: Accumulated Depreciation	1,533	1,217	-	2,750
Business-type Activities				
Investment in Capital Assets, Net	\$ 2,067	\$ (217)	\$ -	\$ 1,850

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense of \$12,911 and \$1,217 was charged to the governmental activities and business-type activities, respectively, on the government-wide Statement of Activities for the year ended June 30, 2012. Investment in capital assets is the component of net assets that reports capital assets net of accumulated depreciation.

**NOTE 9: NOTES PAYABLE**

A. Summary of Debt Transactions

The Regional Office of Education #40 has issued the following note:

	<u>Copy Machine</u>
Balance, July 1, 2011	\$ 4,053
Additions	-
Debt retired	(2,152)
Balance, June 30, 2012	\$ 1,901

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**NOTE 9: NOTES PAYABLE (CONCLUDED)**

**B. Future Debt Service Requirements**

*Note Payable*

Copy Machine Note Payable  
Dated: April 25, 2008  
Maturity Date: April 25, 2013  
Interest Rate: 6.25%  
Original Amount: \$10,050  
Monthly Payment: \$195.49  
Secured By: Copy Machine

Year Ending June 30,	Principal	Interest	Total
2013	\$ 1,901	\$ 54	\$ 1,955

**NOTE 10: RISK MANAGEMENT**

The Regional Office of Education #40 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. Regional Office of Education #40 has purchased commercial insurance to cover these risks. During the year ended June 30, 2012, there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

**NOTE 11: ON-BEHALF PAYMENTS**

The State of Illinois pays the following salaries and benefits on behalf of Regional Office of Education #40:

Regional Superintendent Salary	\$	100,128
Regional Superintendent Fringe Benefits (Includes State paid insurance)		20,195
Assistant Regional Superintendent Salaries		63,835
Assistant Regional Superintendent Fringe Benefits (Includes State paid insurance)		925
TRS Pension Contributions		94,848
THIS Fund Contributions		2,066
 Total	 \$	 281,997

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 amounts have been recorded in the accompanying governmental fund financial statements as state revenue and expenditures.

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**NOTE 12: INTERFUND TRANSFERS**

Interfund transfer in/out to other funds at June 30, 2012 consisted of the following individual transfers in/out to other funds in the fund statements. The transfer balances between governmental funds were eliminated in the government-wide Statement of Activities; however, the transfers between the governmental funds and the business-type funds were not eliminated.

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Alternative Schools Fund	\$ 1,167	\$ -
Special Revenue Fund – Other Non-Major Funds		
Teen Parent Services Fund	-	1,167
Total	\$ 1,167	\$ 1,167

**NOTE 13: OPERATING LEASES**

Lease 1: During the fiscal year ended June 30, 2010, the Regional Office of Education #40 entered into a lease agreement for the building located at 826 N. Broad Street, Carlinville, Illinois. This lease called for monthly payments of \$750, which includes rent and utilities, through June 30, 2011. Beginning July 1, 2011, this lease became a month-to-month lease at \$750 per month. Lease expense for fiscal year 2012 was \$9,000.

Lease 2: During the fiscal year ended June 30, 2008, the Regional Office of Education #40 entered into a lease agreement for the building located at 301 South Jefferson Street, Jerseyville, Illinois. This lease called for monthly payments of \$2,800 through September 30, 2010. Beginning October 1, 2010, this lease became a month-to-month lease at \$2,800 per month. Lease expense for fiscal year 2012 was \$7,000.

**NOTE 14: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

The following fund had a deficit fund balance at June 30, 2012:

Proprietary Fund		
Administrators' Academy	\$	533

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

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
REQUIRED SUPPLEMENTARY INFORMATION  
ILLINOIS MUNICIPAL RETIREMENT FUND  
SCHEDULE OF FUNDING PROGRESS  
(UNAUDITED)  
June 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ( (b-a)/c)
12/31/11	\$451,825	\$495,570	\$43,745	91.17%	\$174,918	25.01%
12/31/10	393,904	541,020	147,116	72.81%	199,990	73.56%
12/31/09	494,425	581,690	87,265	85.00%	239,347	36.46%

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$424,373. On a market basis, the funded ratio would be 85.63%.

**OTHER SUPPLEMENTAL INFORMATION**

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
COMBINING SCHEDULE OF ACCOUNTS  
GENERAL FUND  
June 30, 2012**

	<u>Administrative</u>	<u>Alternative Schools Fund</u>	<u>Direct Services</u>	<u>General State Aid</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 5,427	\$ 17,099	\$ 62,296	\$ 134,900
Due from other funds	5,146	48,034	-	14,566
Due from other governments	-	-	49	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 10,573</u>	<u>\$ 65,133</u>	<u>\$ 62,345</u>	<u>\$ 149,466</u>
<b>Liabilities</b>				
Accounts payable	\$ 54	\$ 188	\$ -	\$ 319
Accrued wages and benefits	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>54</u>	<u>188</u>	<u>-</u>	<u>319</u>
<b>Fund Balance</b>				
Assigned	-	64,945	-	-
Unassigned	10,519	-	62,345	149,147
Total Fund Balances	<u>10,519</u>	<u>64,945</u>	<u>62,345</u>	<u>149,147</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities and Fund Balances	<u>\$ 10,573</u>	<u>\$ 65,133</u>	<u>\$ 62,345</u>	<u>\$ 149,466</u>

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
COMBINING SCHEDULE OF ACCOUNTS  
GENERAL FUND  
June 30, 2012**

	Jerseyville Office Account	Macoupin County Monies	Regional Initiative	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 21,732	\$ -	\$ 24,612	\$ 266,066
Due from other funds	-	-	-	67,746
Due from other governments	41,488	12,247	-	53,784
	<u>63,220</u>	<u>12,247</u>	<u>24,612</u>	<u>387,596</u>
<b>Total Assets</b>	<b>\$ 63,220</b>	<b>\$ 12,247</b>	<b>\$ 24,612</b>	<b>\$ 387,596</b>
<b>Liabilities</b>				
Accounts payable	\$ 33	\$ -	\$ -	\$ 594
Accrued wages and benefits	-	267	-	267
Due to other funds	-	4,612	-	4,612
<b>Total Liabilities</b>	<u>33</u>	<u>4,879</u>	<u>-</u>	<u>5,473</u>
<b>Fund Balance</b>				
Assigned	-	-	-	64,945
Unassigned	63,187	7,368	24,612	317,178
<b>Total Fund Balances</b>	<u>63,187</u>	<u>7,368</u>	<u>24,612</u>	<u>382,123</u>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 63,220</b>	<b>\$ 12,247</b>	<b>\$ 24,612</b>	<b>\$ 387,596</b>

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GENERAL FUND ACCOUNTS**  
**For the Year Ended June 30, 2012**

	Administrative	Alternative Schools Fund	Direct Services	General State Aid
Revenues				
Local sources	\$ 42,484	\$ 627	\$ 21,452	\$ 1,641
State sources	-	66,817	-	112,583
State sources - On Behalf Payments	281,997	-	-	-
Total Revenue	<u>324,481</u>	<u>67,444</u>	<u>21,452</u>	<u>114,224</u>
Expenditures				
Salaries	-	45,166	12,528	71,440
Employee benefits	1,121	7,987	2,364	7,078
Purchased services	35,206	21,416	17,445	16,393
Supplies and materials	1,935	4,063	92	11,826
Capital outlay	1,755	500	720	1,380
Payments made on behalf of region	281,997	-	-	-
Total Expenditures	<u>322,014</u>	<u>79,132</u>	<u>33,149</u>	<u>108,117</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,467</u>	<u>(11,688)</u>	<u>(11,697)</u>	<u>6,107</u>
Other Financing Sources (Uses)				
Transfers in	-	1,167	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,167</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	2,467	(10,521)	(11,697)	6,107
Fund Balance - Beginning	<u>8,052</u>	<u>75,466</u>	<u>74,042</u>	<u>143,040</u>
Fund Balance - Ending	<u>\$ 10,519</u>	<u>\$ 64,945</u>	<u>\$ 62,345</u>	<u>\$ 149,147</u>

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GENERAL FUND ACCOUNTS**  
**For the Year Ended June 30, 2012**

	Jerseyville Office Account	Macoupin County Monies	Regional Initiative	Total
Revenues				
Local sources	\$ 72,264	\$ 68,471	\$ -	\$ 206,939
State sources	-	-	-	179,400
State sources - On Behalf Payments	-	-	-	281,997
Total Revenue	<u>72,264</u>	<u>68,471</u>	<u>-</u>	<u>668,336</u>
Expenditures				
Salaries	32,387	33,107	-	194,628
Employee benefits	15,242	6,573	-	40,365
Purchased services	5,040	17,593	1,329	114,422
Supplies and materials	1,431	256	-	19,603
Capital outlay	1,470	-	-	5,825
Payments made on behalf of region	-	-	-	281,997
Total Expenditures	<u>55,570</u>	<u>57,529</u>	<u>1,329</u>	<u>656,840</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>16,694</u>	<u>10,942</u>	<u>(1,329)</u>	<u>11,496</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	1,167
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,167</u>
Net Change in Fund Balance	16,694	10,942	(1,329)	12,663
Fund Balance - Beginning	<u>46,493</u>	<u>(3,574)</u>	<u>25,941</u>	<u>369,460</u>
Fund Balance - Ending	<u>\$ 63,187</u>	<u>\$ 7,368</u>	<u>\$ 24,612</u>	<u>\$ 382,123</u>

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**COMBINING SCHEDULE OF ACCOUNTS**  
**EDUCATION FUND**  
**June 30, 2012**

	Adult Education Programs	ARRA Education Jobs Funds for Adult Education	Mini Grants	National School Lunch	Regional Safe Schools
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 3,761	\$ 1,775
Due from other governments	21,468	-	-	-	18,205
<b>Total Assets</b>	<b>\$ 21,468</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,761</b>	<b>\$ 19,980</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	21,468	-	-	-	14,566
Deferred revenue	-	-	-	-	-
<b>Total Liabilities</b>	<b>21,468</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,566</b>
<b>Fund Balance</b>					
Restricted	-	-	-	3,761	5,414
Unassigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,761</b>	<b>5,414</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 21,468</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,761</b>	<b>\$ 19,980</b>

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND  
June 30, 2012**

	ARRA Education Jobs Funds for Safe Schools	ROE/ISC Operations	Teacher and Administrators Mentoring Program	Truants Alternative/ Optional Education	Total
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ 208	\$ -	\$ -	\$ 5,744
Due from other governments	-	-	-	26,616	66,289
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 208</b>	<b>\$ -</b>	<b>\$ 26,616</b>	<b>\$ 72,033</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 49	\$ 49
Due to other funds	-	-	-	26,567	62,601
Deferred revenue	-	208	-	-	208
<b>Total Liabilities</b>	<b>-</b>	<b>208</b>	<b>-</b>	<b>26,616</b>	<b>62,858</b>
<b>Fund Balance</b>					
Restricted	-	-	-	-	9,175
Unassigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,175</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ 208</b>	<b>\$ -</b>	<b>\$ 26,616</b>	<b>\$ 72,033</b>

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**EDUCATION FUND ACCOUNTS**  
**For the Year Ended June 30, 2012**

	Adult Education Programs	ARRA Education Jobs Funds for Adult Education	Mini Grants	National School Lunch	Regional Safe Schools
<b>Revenues</b>					
State sources	\$ 118,003	\$ -	\$ -	\$ -	\$ 93,132
Federal sources	23,905	114	346	-	-
Total Revenues	<u>141,908</u>	<u>114</u>	<u>346</u>	<u>-</u>	<u>93,132</u>
<b>Expenditures</b>					
Salaries	93,633	91	-	-	69,260
Employee benefits	9,197	23	-	-	3,011
Purchased services	4,445	-	346	-	6,051
Supplies and materials	2,509	-	-	-	1,478
Capital outlay	-	-	-	-	4,794
Total Expenditures	<u>109,784</u>	<u>114</u>	<u>346</u>	<u>-</u>	<u>84,594</u>
Excess (Deficiency) of Revenues Over Expenditures	32,124	-	-	-	8,538
<b>Other Financing Sources (Uses)</b>					
Interest	5	-	-	-	1
Total Other Financing Sources (Uses)	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Net Change in Fund Balance	32,129	-	-	-	8,539
Fund Balance (Deficit) - Beginning	<u>(32,129)</u>	<u>-</u>	<u>-</u>	<u>3,761</u>	<u>(3,125)</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,761</u>	<u>\$ 5,414</u>

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**EDUCATION FUND ACCOUNTS**  
**For the Year Ended June 30, 2012**

	ARRA Education Jobs Funds for Safe Schools	ROE/ISC Operations	Teacher and Administrators Mentoring Program	Truants Alternative/ Optional Education	Total
Revenues					
State sources	\$ -	\$ 28,289	\$ 18,162	\$ 98,113	\$ 355,699
Federal sources	151	-	-	-	24,516
Total Revenues	<u>151</u>	<u>28,289</u>	<u>18,162</u>	<u>98,113</u>	<u>380,215</u>
Expenditures					
Salaries	121	21,291	4,200	56,600	245,196
Employee benefits	30	2,458	61	1,386	16,166
Purchased services	-	3,622	429	14,593	29,486
Supplies and materials	-	918	-	8,598	13,503
Capital outlay	-	-	-	6,750	11,544
Total Expenditures	<u>151</u>	<u>28,289</u>	<u>4,690</u>	<u>87,927</u>	<u>315,895</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	13,472	10,186	64,320
Other Financing Sources (Uses)					
Interest	-	-	-	51	57
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>51</u>	<u>57</u>
Net Change in Fund Balance	-	-	13,472	10,237	64,377
Fund Balance (Deficit) - Beginning	<u>-</u>	<u>-</u>	<u>(13,472)</u>	<u>(10,237)</u>	<u>(55,202)</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,175</u>

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND  
ADULT EDUCATION PROGRAMS  
June 30, 2012**

	<u>Federal Basic</u>	<u>Public Assistance</u>	<u>State Basic</u>	<u>State Performance</u>	<u>Total</u>
<b>Assets</b>					
Due from other governments	\$ -	\$ 10,212	\$ 6,144	\$ 5,112	\$ 21,468
Total Assets	<u>\$ -</u>	<u>\$ 10,212</u>	<u>\$ 6,144</u>	<u>\$ 5,112</u>	<u>\$ 21,468</u>
<b>Liabilities</b>					
Due to other funds	\$ -	\$ 10,212	\$ 6,144	\$ 5,112	\$ 21,468
Total Liabilities	<u>-</u>	<u>10,212</u>	<u>6,144</u>	<u>5,112</u>	<u>21,468</u>
<b>Fund Balance</b>					
Assigned	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 10,212</u>	<u>\$ 6,144</u>	<u>\$ 5,112</u>	<u>\$ 21,468</u>

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**EDUCATION FUND ACCOUNTS**  
**ADULT EDUCATION PROGRAMS**  
**For the Year Ended June 30, 2012**

	Federal Basic	Public Assistance	State Basic	State Performance	Total
Revenues					
State sources	\$ -	\$ 50,996	\$ 38,221	\$ 28,786	\$ 118,003
Federal sources	23,905	-	-	-	23,905
Total Revenues	<u>23,905</u>	<u>50,996</u>	<u>38,221</u>	<u>28,786</u>	<u>141,908</u>
Expenditures					
Salaries	18,010	37,737	21,784	16,102	93,633
Employee benefits	4,717	964	786	2,730	9,197
Purchased services	211	2,062	666	1,506	4,445
Supplies and materials	967	86	1,347	109	2,509
Total Expenditures	<u>23,905</u>	<u>40,849</u>	<u>24,583</u>	<u>20,447</u>	<u>109,784</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>10,147</u>	<u>13,638</u>	<u>8,339</u>	<u>32,124</u>
Other Financing Sources (Uses)					
Interest	-	-	5	-	5
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>5</u>
Net Change in Fund Balance	-	10,147	13,643	8,339	32,129
Fund Balance (Deficit) - Beginning	<u>-</u>	<u>(10,147)</u>	<u>(13,643)</u>	<u>(8,339)</u>	<u>(32,129)</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of July 1, 2011 to June 30, 2012)**  
**EDUCATION FUND ACCOUNTS**  
**ADULT EDUCATION - FEDERAL BASIC**  
**For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 26,199	\$ 23,905	\$ 23,905
Total Revenues	<u>26,199</u>	<u>23,905</u>	<u>23,905</u>
Expenditures			
Salaries	17,950	17,000	18,010
Employee benefits	5,496	4,152	4,717
Purchased services	2,753	2,753	211
Supplies and materials	-	-	967
Total Expenditures	<u>26,199</u>	<u>23,905</u>	<u>23,905</u>
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of July 1, 2011 to June 30, 2012)**  
**EDUCATION FUND ACCOUNTS**  
**ADULT EDUCATION - PUBLIC ASSISTANCE**  
**For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 40,587	\$ 40,849	\$ 50,996
Total Revenues	<u>40,587</u>	<u>40,849</u>	<u>50,996</u>
Expenditures			
Salaries	31,700	31,700	37,737
Employee benefits	3,204	3,204	964
Purchased services	3,996	4,258	2,062
Supplies and materials	1,687	1,687	86
Total Expenditures	<u>40,587</u>	<u>40,849</u>	<u>40,849</u>
Net Change in Fund Balance	-	-	10,147
Fund Balance (Deficit) - Beginning	<u>-</u>	<u>-</u>	<u>(10,147)</u>
Fund Balance - Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of July 1, 2011 to June 30, 2012)**  
**EDUCATION FUND ACCOUNTS**  
**ADULT EDUCATION - STATE BASIC**  
**For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 27,285	\$ 24,578	\$ 38,221
Total Revenues	<u>27,285</u>	<u>24,578</u>	<u>38,221</u>
Expenditures			
Salaries	20,900	21,644	21,784
Employee benefits	2,280	632	786
Purchased services	2,265	2,302	666
Supplies and materials	1,840	-	1,347
Total Expenditures	<u>27,285</u>	<u>24,578</u>	<u>24,583</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>13,638</u>
Other Financing Sources (Uses):			
Interest	-	-	5
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>5</u>
Net Change in Fund Balance	-	-	13,643
Fund Balance (Deficit) - Beginning	<u>-</u>	<u>-</u>	<u>(13,643)</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of July 1, 2011 to June 30, 2012)**  
**EDUCATION FUND ACCOUNTS**  
**ADULT EDUCATION - STATE PERFORMANCE**  
**For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 20,015	\$ 20,447	\$ 28,786
Total Revenues	<u>20,015</u>	<u>20,447</u>	<u>28,786</u>
Expenditures			
Salaries	16,350	16,750	16,102
Employee benefits	1,577	1,590	2,730
Purchased services	2,088	2,107	1,506
Supplies and materials	-	-	109
Total Expenditures	<u>20,015</u>	<u>20,447</u>	<u>20,447</u>
Net Change in Fund Balance	-	-	8,339
Fund Balance (Deficit) - Beginning	<u>-</u>	<u>-</u>	<u>(8,339)</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of September 7, 2011 to June 30, 2012)**  
**EDUCATION FUND ACCOUNTS**  
**MINI GRANTS - TITLE II-TEACHER QUALITY**  
**For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 346	\$ 346	\$ 346
Total Revenues	<u>346</u>	<u>346</u>	<u>346</u>
Expenditures			
Purchased services	346	346	346
Total Expenditures	<u>346</u>	<u>346</u>	<u>346</u>
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of July 1, 2011 to June 30, 2012)**  
**EDUCATION FUND ACCOUNTS**  
**REGIONAL SAFE SCHOOLS**  
**For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 84,593	\$ 84,593	\$ 93,132
Total Revenues	<u>84,593</u>	<u>84,593</u>	<u>93,132</u>
Expenditures			
Salaries	52,000	68,000	69,260
Employee benefits	2,480	2,880	3,011
Purchased services	20,007	5,293	6,051
Supplies and materials	10,106	2,429	1,478
Capital Outlay	-	5,991	4,794
Total Expenditures	<u>84,593</u>	<u>84,593</u>	<u>84,594</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>8,538</u>
Other Financing Sources (Uses)			
Interest	<u>-</u>	<u>-</u>	<u>1</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1</u>
Net Change in Fund Balance	-	-	8,539
Fund Balance (Deficit) - Beginning, Restated	<u>-</u>	<u>-</u>	<u>(3,125)</u>
Fund Balance - Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,414</u></u>

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
BUDGETARY COMPARISON SCHEDULE  
(For the Period of July 1, 2011 to June 30, 2012)  
EDUCATION FUND ACCOUNTS  
ROE/ISC OPERATIONS  
For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 28,289	\$ 28,289	\$ 28,289
Total Revenues	<u>28,289</u>	<u>28,289</u>	<u>28,289</u>
Expenditures			
Salaries	24,125	19,861	21,291
Employee benefits	3,160	2,357	2,458
Purchased services	1,004	4,571	3,622
Supplies and materials	-	1,500	918
Total Expenditures	<u>28,289</u>	<u>28,289</u>	<u>28,289</u>
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>\$ -</u></u>

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of August 26, 2010 to August 31, 2011)**  
**EDUCATION FUND ACCOUNTS**  
**TEACHER AND ADMINISTRATORS MENTORING PROGRAM**  
**For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
State sources	\$ 109,562	\$ 109,562	\$ 18,162
Total Revenues	<u>109,562</u>	<u>109,562</u>	<u>18,162</u>
Expenditures:			
Salaries	20,800	20,800	4,200
Employee benefits	302	302	61
Purchased services	7,450	10,550	429
Supplies and materials	910	910	-
Payments to other governments	80,100	77,000	-
Total Expenditures	<u>109,562</u>	<u>109,562</u>	<u>4,690</u>
Net Change in Fund Balance	-	-	13,472
Fund Balance (Deficit) - Beginning	<u>-</u>	<u>-</u>	<u>(13,472)</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of July 1, 2011 to June 30, 2012)**  
**EDUCATION FUND ACCOUNTS**  
**TRUANTS ALTERNATIVE/OPTIONAL EDUCATION**  
**For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 87,876	\$ 87,876	\$ 98,113
Total Revenues	<u>87,876</u>	<u>87,876</u>	<u>98,113</u>
Expenditures			
Salaries	70,014	57,680	56,600
Employee benefits	1,670	1,800	1,386
Purchased services	14,692	14,315	14,593
Supplies and materials	1,500	7,281	8,598
Capital outlay	-	6,800	6,750
Total Expenditures	<u>87,876</u>	<u>87,876</u>	<u>87,927</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>10,186</u>
Other Financing Sources (Uses):			
Interest	<u>-</u>	<u>-</u>	<u>51</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>51</u>
Net Change in Fund Balance	-	-	10,237
Fund Balance (Deficit) - Beginning	<u>-</u>	<u>-</u>	<u>(10,237)</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2012**

	Bus Driver Permit Fund	General Education Development Fund	Institute Fund	Olympiad Fund
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>				
Cash and cash equivalents	\$ 8,042	\$ 13,912	\$ 46,193	\$ 3,906
Due from other governments	-	1,379	-	-
Total Assets	<u>\$ 8,042</u>	<u>\$ 15,291</u>	<u>\$ 46,193</u>	<u>\$ 3,906</u>
<b>Liabilities</b>				
Accounts payable	\$ 140	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-
Total Liabilities	<u>140</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance</b>				
Restricted	7,902	15,291	46,193	-
Committed	-	-	-	3,906
Total Fund Balances	<u>7,902</u>	<u>15,291</u>	<u>46,193</u>	<u>3,906</u>
Total Liabilities and Fund Balances	<u>\$ 8,042</u>	<u>\$ 15,291</u>	<u>\$ 46,193</u>	<u>\$ 3,906</u>

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2012**

	Seventh Judicial Family Violence Prevention Fund	Teen Parent Services Fund	Trustee Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Assets				
Cash and cash equivalents	\$ 6,077	\$ -	\$ 54	\$ 78,184
Due from other governments	-	-	-	1,379
Total Assets	<u>\$ 6,077</u>	<u>\$ -</u>	<u>\$ 54</u>	<u>\$ 79,563</u>
Liabilities				
Accounts payable	\$ 873	\$ -	\$ -	\$ 1,013
Deferred revenue	5,204	-	-	5,204
Total Liabilities	<u>6,077</u>	<u>-</u>	<u>-</u>	<u>6,217</u>
Fund Balance				
Restricted	-	-	-	69,386
Committed	-	-	54	3,960
Total Fund Balances	<u>-</u>	<u>-</u>	<u>54</u>	<u>73,346</u>
Total Liabilities and Fund Balances	<u>\$ 6,077</u>	<u>\$ -</u>	<u>\$ 54</u>	<u>\$ 79,563</u>

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2012**

	Bus Driver Permit Fund	General Education Development Fund	Institute Fund	Olympiad Fund
Revenues				
Local sources	\$ 1,752	\$ 20,598	\$ 31,063	\$ 10,000
State sources	873	-	-	-
Total Revenues	<u>2,625</u>	<u>20,598</u>	<u>31,063</u>	<u>10,000</u>
Expenditures				
Salaries	-	12,294	5	-
Employee benefits	-	187	-	-
Purchased services	1,599	8,039	1,442	10,535
Supplies and materials	102	537	215	849
Other	-	-	6,256	-
Total Expenditures	<u>1,701</u>	<u>21,057</u>	<u>7,918</u>	<u>11,384</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>924</u>	<u>(459)</u>	<u>23,145</u>	<u>(1,384)</u>
Other Financing Sources (Uses)				
Transfers out	-	-	-	-
Interest	-	-	420	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>420</u>	<u>-</u>
Net Change in Fund Balance	924	(459)	23,565	(1,384)
Fund Balance - Beginning	<u>6,978</u>	<u>15,750</u>	<u>22,628</u>	<u>5,290</u>
Fund Balance - Ending	<u>\$ 7,902</u>	<u>\$ 15,291</u>	<u>\$ 46,193</u>	<u>\$ 3,906</u>

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2012**

	Seventh Judicial Family Violence Prevention Fund	Teen Parent Services Fund	Trustee Fund	Total
Revenues				
Local sources	\$ -	\$ -	\$ -	\$ 63,413
State sources	20,878	5,896	-	27,647
Total Revenues	<u>20,878</u>	<u>5,896</u>	<u>-</u>	<u>91,060</u>
Expenditures				
Salaries	12,876	1,167	-	26,342
Employee benefits	2,422	31	-	2,640
Purchased services	4,029	3,531	2	29,177
Supplies and materials	1,551	-	-	3,254
Other	-	-	-	6,256
Total Expenditures	<u>20,878</u>	<u>4,729</u>	<u>2</u>	<u>67,669</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>-</u>	<u>1,167</u>	<u>(2)</u>	<u>23,391</u>
Other Financing Sources (Uses)				
Transfers out	-	(1,167)	-	(1,167)
Interest	-	-	-	420
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,167)</u>	<u>-</u>	<u>(747)</u>
Net Change in Fund Balance	-	-	(2)	22,644
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>56</u>	<u>50,702</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54</u>	<u>\$ 73,346</u>

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
June 30, 2012**

	<u>Central IL Rural Region Career &amp; Technical Education System</u>	<u>Birth to Three</u>	<u>Total Agency Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 31,780	\$ -	\$ 31,780
Total Assets	<u>\$ 31,780</u>	<u>\$ -</u>	<u>\$ 31,780</u>
<b>Liabilities</b>			
Due to other governments	\$ 31,780	\$ -	\$ 31,780
Total Liabilities	<u>\$ 31,780</u>	<u>\$ -</u>	<u>\$ 31,780</u>

**REGIONAL OFFICE OF EDUCATION #40  
CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
For the Year Ended June 30, 2012**

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
<b><u>Central Illinois Rural Regional Career &amp; Technical Education System</u></b>				
Assets				
Cash and cash equivalents	\$ 57,039	\$ 476,898	\$ 502,157	\$ 31,780
Total Assets	<u>\$ 57,039</u>	<u>\$ 476,898</u>	<u>\$ 502,157</u>	<u>\$ 31,780</u>
Liabilities				
Due to other governments	\$ 57,039	\$ 476,898	\$ 502,157	\$ 31,780
Total Liabilities	<u>\$ 57,039</u>	<u>\$ 476,898</u>	<u>\$ 502,157</u>	<u>\$ 31,780</u>
 <b><u>Birth to Three</u></b>				
Assets				
Cash and cash equivalents	\$ -	\$ 63,718	\$ 63,718	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 63,718</u>	<u>\$ 63,718</u>	<u>\$ -</u>
Liabilities				
Due to other governments	\$ -	\$ 63,718	\$ 63,718	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 63,718</u>	<u>\$ 63,718</u>	<u>\$ -</u>
 <b><u>Total</u></b>				
Assets				
Cash and cash equivalents	\$ 57,039	\$ 540,616	\$ 565,875	\$ 31,780
Total Assets	<u>\$ 57,039</u>	<u>\$ 540,616</u>	<u>\$ 565,875</u>	<u>\$ 31,780</u>
Liabilities				
Due to other governments	\$ 57,039	\$ 540,616	\$ 565,875	\$ 31,780
Total Liabilities	<u>\$ 57,039</u>	<u>\$ 540,616</u>	<u>\$ 565,875</u>	<u>\$ 31,780</u>