



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY

FINANCIAL AUDIT
For the Year Ended: June 30, 2015

Release Date: August 18, 2016

| FINDINGS THIS AUDIT: 1 | AGING SCHEDULE OF REPEATED FINDINGS | | | | | | |
|------------------------|-------------------------------------|----------|----------|--------------------|------------|------------|------------|
| | New | Repeat | Total | Repeated Since | Category 1 | Category 2 | Category 3 |
| Category 1: | 0 | 0 | 0 | No Repeat Findings | | | |
| Category 2: | 1 | 0 | 1 | | | | |
| Category 3: | 0 | 0 | 0 | | | | |
| TOTAL | <u>1</u> | <u>0</u> | <u>1</u> | | | | |
| FINDINGS LAST AUDIT: 1 | | | | | | | |

SYNOPSIS

- **(15-1)** The Regional Office of Education #41 did not properly record unearned revenues.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and/or **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with federal and/or State laws and regulations.

{ Revenues and expenditures are summarized on the reverse page. }

REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY

FINANCIAL AUDIT
For the Year Ended June 30, 2015

| | FY 2015 | FY 2014 |
|---|----------------|----------------|
| TOTAL REVENUES | \$3,470,257 | \$3,141,389 |
| Local Sources | \$1,639,588 | \$1,686,771 |
| % of Total Revenues | 47.25% | 53.70% |
| State Sources | \$1,532,578 | \$1,258,518 |
| % of Total Revenues | 44.16% | 40.06% |
| Federal Sources | \$298,091 | \$196,100 |
| % of Total Revenues | 8.59% | 6.24% |
| TOTAL EXPENDITURES | \$3,595,947 | \$3,597,503 |
| Salaries and Benefits | \$2,924,337 | \$3,002,915 |
| % of Total Expenditures | 81.32% | 83.47% |
| Purchased Services | \$435,515 | \$451,369 |
| % of Total Expenditures | 12.11% | 12.55% |
| All Other Expenditures | \$236,095 | \$143,219 |
| % of Total Expenditures | 6.57% | 3.98% |
| TOTAL NET POSITION | \$728,821 | \$1,202,076 |
| INVESTMENT IN CAPITAL ASSETS | \$16,997 | \$29,812 |
| <small>¹The FY 2015 beginning net position was restated by (\$347,565) due to a prior period adjustment for new reporting requirements for pensions. Percentages may not add due to rounding.</small> | | |

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| REGIONAL SUPERINTENDENT |
| During Audit Period: Honorable Robert Daiber |
| Currently: Honorable Robert Daiber |

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

IMPROPER RECORDING OF UNEARNED REVENUES

The Regional Office of Education #41 did not properly record unearned revenues.

Paragraph 19 of the Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, states that providers of resources in voluntary nonexchange transactions frequently establish eligibility requirements. Eligibility requirements are conditions established by the provider that are required to be met before a transaction (other than the provision of cash in advance) can occur. That is, until those requirements are met, the provider does not have a liability, the recipient does not have a receivable, and expenses or revenues for resources transmitted in advance should not be recognized until those eligibility requirements are met. Also, generally accepted accounting principles (GAAP) require the recognition of a liability for revenues received in advance.

The ROE #41 recorded a total of \$200,000 in revenues representing payments from a grantor under the Venice Early Care program, a new State grant in FY2015. Of this amount, only \$64,808 was expended in FY2015. As of June 30, 2015, the total unexpended amount of \$135,192 represents advances received from the grantor which should have been recognized as a liability rather than revenues at fiscal year-end. Upon auditor's notification, the ROE #41 made the necessary correction to its financial statements.

According to management, ROE #41 received a \$200,000 grant that was determined to be a voluntary nonexchange transaction during fiscal year 2015. Since ROE #41 felt the eligibility requirements to receive the grant were met, the revenue was recognized, in what ROE #41 believed to be, in accordance with GASB Statement No. 33. (Finding 2015-001, pages 10-11)

The auditors recommended that the Regional Office of Education #41 ensure all transactions are properly accounted and recorded for accurate financial reporting. If necessary, accounting and reporting guidance should be obtained from technical resources to be in conformity with GAAP.

The ROE #41 responded that it agrees with the finding.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #41's financial statements as of June 30, 2015 are fairly presented in all material respects.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:JRB

AUDITORS ASSIGNED: E.C. Ortiz & Co., LLP were our special assistant auditors.