

WASHINGTON, PITTMAN & McKEEVER, LLC

*CERTIFIED PUBLIC ACCOUNTANTS AND
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STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2010
AND
COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2010

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2010
AND
COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2010

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AGENCY OFFICIALS

Board members of the Illinois State Board of Education at June 30, 2010:

Jesse H. Ruiz, Chairperson	Melinda A. LaBarre
Dr. Christopher J. Ward, Vice-Chairperson	Dr. Andrea S. Brown
Dr. Vinni M. Hall, Secretary	Dr. David Fields
James W. Baumann	Lanita J. Koster
Steven R. Gilford	

State Superintendent of Education	Dr. Christopher A. Koch, Ed.D
-----------------------------------	-------------------------------

Cabinet Members at June 30, 2010:

General Counsel/Legal	Darren Reisberg
Chief Internal Auditor	Lisa LaBonte (until August 31, 2010) Melissa Oller (As of September 15, 2010)

Directors:

Special Education and Support Services	Beth Hanselman
School Support Services For All Schools	Linda Tomlinson
Standards and Assessments	Connie Wise
Fiscal Support Services	Linda Riley Mitchell
Human Resources	Don Evans
Public Information	Matthew Vanover

Agency offices are located at:

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Springfield, IL 62777-0001

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100 West Randolph Street
Suite 14-300
Chicago, IL 60601-3268



Illinois State Board of Education

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Jesse H. Ruiz
Chairman

Christopher A. Koch, Ed.D.
State Superintendent of Education

March 24, 2011

Washington, Pittman, & McKeever, LLC
Certified Public Accountants
819 S. Wabash, Suite 600
Chicago, IL 60605

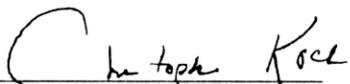
Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Agency. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Agency's compliance with the following assertions during the two-year period ended June 30, 2010. Based on this evaluation, we assert that during the years ended June 30, 2009 and June 30, 2010, the Agency has materially complied with the assertions below.

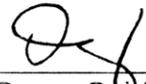
- A. The agency has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The agency has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The agency has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the agency are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the agency on behalf of the State or held in trust by the agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Illinois State Board of Education


Christopher A Koch, Ed.D.
State Superintendent of Education


Linda Mitchell
Chief Financial Officer


Darren Roesberg
General Counsel

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

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FOR THE TWO YEARS ENDED JUNE 30, 2010

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANTS' REPORT

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>This</u>	<u>Prior</u>
<u>Findings</u>	<u>Report</u>	<u>Report</u>
Findings	6	3
Repeated findings	2	3
Prior recommendations implemented or not repeated	1	0

Details of findings are presented in a separately tabbed report section.

SCHEDULE OF FINDINGS

<u>Item</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<u>No.</u>			
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
No such items reported.			
FINDINGS (STATE COMPLIANCE)			
10-1	12	Controls Over Mandated Duties	Significant Deficiency and Noncompliance
10-2	13	Noncompliance with Obsolete Mandated Duties	Significant Deficiency and Noncompliance
10-3	15	Failure to Assume Duties	Significant Deficiency and Noncompliance
10-4	16	Schools on Academic Watch List	Significant Deficiency and Noncompliance

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<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
10-5	17	Private Business and Vocational Schools State Advisory Council	Significant Deficiency and Noncompliance
10-6	18	Noncompliance with the Fiscal Control and Internal Auditing Act	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED

A	19	Inadequate Control Over the Financial Reporting Process
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EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on February 3, 2011. Attending were:

Illinois State Board of Education

Christopher Koch, Ed.D	State Superintendent of Education
Susan Morrison	Deputy Superintendent/Chief of Staff
Connie Wise	Assistant Superintendent
Linda Riley Mitchell	Chief Financial Officer
Darren Reisberg	General Counsel
Melissa Oller	Chief Internal Auditor
Robert Wolfe	Division Administrator of Fiscal and Procurement
Scott Norton	Division Administrator of Technology Support
Donald Evans	Division Administrator of Human Resources

Office of the Auditor General

Lisa Warden	Audit Manager
Joe Gudgel	IT Audit Manager

Washington, Pittman & McKeever, LLC

Lester H. McKeever	Managing Principal
Angela T. Allen	Principal
Bola M. Babatunde	Audit Manager

Responses to the recommendations were provided by Christopher A. Koch, Ed.D., in a letter dated February 16, 2011.

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**INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE, ON
INTERNAL CONTROL OVER COMPLIANCE, AND ON SUPPLEMENTARY
INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable William G. Holland
Auditor General
State of Illinois

and

The Board Members of the
Illinois State Board of Education

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Illinois State Board of Education's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2010. The management of the Illinois State Board of Education is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Illinois State Board of Education's compliance based on our examination.

- A. The Illinois State Board of Education has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Illinois State Board of Education has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Illinois State Board of Education has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Illinois State Board of Education are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

- E. Money or negotiable securities or similar assets handled by the Illinois State Board of Education on behalf of the State or held in trust by the Illinois State Board of Education have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Illinois State Board of Education's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Illinois State Board of Education's compliance with specified requirements.

In our opinion, the Illinois State Board of Education complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2010. However, the results of our procedures disclosed instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as findings 10-1 through 10-6.

Internal Control

The management of the Illinois State Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Illinois State Board of Education's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Illinois State Board of Education's internal control over compliance.

A *deficiency* in an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we considered to be significant deficiencies as described in the accompanying schedule of findings as items findings 10-1 through 10-6. A *significant deficiency over compliance* is a deficiency, or 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.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

The Illinois State Board of Education's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the Illinois State Board of Education's responses and, accordingly, we express no opinion on the responses.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditor for the Auditor General, we have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Illinois State Board of Education as of and for the year ended June 30, 2010, which collectively comprise the Illinois State Board of Education's basic financial statements, and have issued our report thereon dated March 24, 2011. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Illinois State Board of Education. The 2010 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2010 taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States, the Illinois State Board of Education's basic financial statements for the years ended June 30, 2009 and June 30, 2008. In our reports dated December 31, 2009 and March 25, 2009, on basic financial statements, we expressed unqualified opinions on the respective financial statements of the governmental activities, the major fund, and the aggregate remaining fund information. In our opinion, the 2009 and 2008 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2009 and June 30, 2008, taken as a whole.

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, and the Board Members of the Illinois State Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Washington, Pittman, & McKeever, LLC

WASHINGTON, PITTMAN & McKEEVER, LLC

**Chicago, Illinois
March 24, 2011**

WASHINGTON, PITTMAN & McKEEVER, LLC

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable William G. Holland
Auditor General
State of Illinois

and

The Board Members of the
Illinois State Board of Education

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Illinois State Board of Education, as of and for the year ended June 30, 2010, which collectively comprise the Illinois State Board of Education's basic financial statements and have issued our report thereon dated March 24, 2011. 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

In planning and performing our audit, we considered the Illinois State Board of Education'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 Illinois State Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Illinois State Board of Education's internal control over financial reporting.

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 a 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Illinois State Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters which we have reported to management of the Illinois State Board of Education in a separate letter dated March 24, 2011.

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, and the Board Members of the Illinois State Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Washington, Pittman & McKeever, LLC

WASHINGTON, PITTMAN & MCKEEVER, LLC

**Chicago, Illinois
March 24, 2011**

WASHINGTON, PITTMAN & McKEEVER, LLC

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INDEPENDENT ACCOUNTANTS' REPORT
ON AGREED-UPON PROCEDURES

Honorable William G. Holland
Auditor General
State of Illinois

and

The Board Members of the
Illinois State Board of Education

As Special Assistant Auditor for the Auditor General, we have performed each of the procedures enumerated below, which were agreed to by the Auditor General, solely to assist the users in evaluating management's assertion about the Illinois State Board of Education's compliance with respect to the reporting; during the year ended June 30, 2010, of the statewide high school dropout rate by grade level, sex, race, program categories, and the number of students who graduate from, transfer from, or otherwise leave bilingual programs; by the State Board of Education pursuant to 105 ILCS 5/1A-4. These agreed-upon procedures were performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our findings are as follows:

1. We reviewed the following articles of the School Code: 105 ILCS 5/1A-4, 105 ILCS 5/26-2a, and 105 ILCS 5/26-3a, noting the Agency's mandated duties.
2. We obtained and reviewed the fiscal year 2009 annual report for the State Board of Education, noting compliance with the statute.
3. We documented and determined adequacy of the Agency's procedures for accumulating and reviewing dropout and transitional bilingual education data.
4. We obtained and reviewed the information submitted, through the ISBE Web Application Security (IWAS) System for completion of dropout and other data for a sample of 25 school districts with high schools.

5. We compared dropout data for the 25 selected school districts with high schools on the Agency's Local Area Network (LAN) to the Agency's computerized recap of dropout rates for the 2007-2008 school year. We noted no exceptions.
6. We examined the transaction log for the submission date of the completed "End of Year Reports" for the selected districts. We noted no significant exceptions for the submission of the 2007-2008 End of Year Reports.
7. We compared dropout data totals, per the High School Dropout Report to those on the 2009 Annual Report, filed with the General Assembly. All dropout totals, by grade level and by program category, on the computerized recap agreed to the report. We noted no exceptions.
8. We selected one (1) region and reviewed all elementary and high schools within the region to determine they properly filed and completed "End of Year Reports" with the Agency. We noted no exceptions.
9. We compared bilingual education data for the 25 school districts with bilingual education programs to the Agency's summary reports for the 2008-2009 school year. We noted no exceptions.
10. We compared bilingual education data totals, on the Annual Student Report, for the 25 school districts with bilingual education programs to those on the 2009 Annual Report, filed with the General Assembly. We noted no significant exceptions.
11. We examined transmittals for the 25 school districts with bilingual education programs for the school district's submission date. We noted no significant exceptions for the 2008-2009 Annual Student Reports.

These agreed-upon procedures do not constitute an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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, and the Board Members of the Illinois State Board of Education and is not intended to be, and should not be, used by anyone other than these specified parties.

Washington, Pittman & McKeever, LLC
WASHINGTON, PITTMAN & McKEEVER LLC

Chicago, Illinois
March 24, 2011

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2010
AND
COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2010

CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES

STATE COMPLIANCE

FINDING 10-1 Controls Over Mandated Duties

The Agency did not have a system in place to identify and monitor all statutory mandates that are applicable to the Agency.

During our audit, we requested the Agency provide us a list of mandates applicable to the Agency. Although management provided a list of new laws enacted during fiscal years 2009 and 2010, the Agency was unable to provide us with a complete list of all applicable laws. We have identified at least 474 different State statutory mandate citations applicable to the Agency.

Adequate controls over compliance with laws would require the Agency to develop a process to identify and monitor federal, state and local laws that apply to the Agency in order to ensure that the Agency is complying with those laws.

Agency personnel stated they have failed to develop an all inclusive list due to oversight and lack of adequate resources.

Failure to monitor laws applicable to the Agency increases the risk the Agency would not comply with those laws and regulations and could potentially result in unexpected costs, legal repercussions, or failure to accomplish legislated objectives. (Finding Code No. 10-1)

RECOMMENDATION

We recommend the Agency establish procedures to identify and monitor laws applicable to the Agency and to ensure compliance. Those procedures should include designating a responsible position(s) to maintain a listing of applicable laws that also notes the division responsible for ensuring compliance.

AGENCY RESPONSE

The Agency agrees with the recommendation and will establish procedures to identify and monitor laws applicable to the Agency and to ensure compliance.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

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FOR THE YEAR ENDED JUNE 30, 2010
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CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES

STATE COMPLIANCE (Continued)

FINDING 10-2 Noncompliance with Obsolete Mandated Duties

The Agency did not comply with or seek repeal of obsolete duties mandated by State statute. We noted the following:

- The Agency did not include a "Multiracial" category in all collection forms and presentation reports, in its data collection and reporting process for State or local purposes. The School Code (105 ILCS 5/2-3.111) requires that all forms used by the State Board of Education to collect and present information within racial categories shall include a "Multiracial" category, if such information is collected and reported for State or local purposes only. Agency personnel indicated this mandate should be repealed, but was overlooked when changing State law to comply with federal legal changes last year.
- The Agency did not require entities to design programs which provide continuing education to update or improve a teacher's skill or knowledge in order to maintain a high level of performance. During fiscal year 2006, the Agency repealed Part 30 of the Administrative Rules, which addressed these mandated duties, due to obsolescence. The School Code (105 ILCS 5/2-3.60) requires the State Board of Education to require school districts, cooperatives or joint agreements with a governing board or board of control, administrative agents for educational service centers, and regional superintendents acting on behalf of such entities to design programs which provide continuing education to update or improve a teacher's skill or knowledge in order to maintain a high level of performance. Agency personnel stated they failed to propose the repeal of this mandate at the time it requested to repeal the related rules.

During the prior period the Agency failed to do the following: 1) appoint a member to represent school administrators to the Social Security Number Protection Task Force, timely; 2) submit the Physical Education Report to the General Assembly and the Governor timely; and 3) receive timely annual progress reports for Parental Participation Pilot Project Grant Awards. During the current period, we noted the Agency took steps to come into compliance with each of the above requirements.

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CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES

STATE COMPLIANCE (Continued)

FINDING 10-2 Noncompliance with Obsolete Mandated Duties (Continued)

Also, due to the reporting of prior findings, the Agency sought amendment or repeal of Agency requirements. The requirements to: 1) establish and implement an alternative math-science certification program (Public Act 096-0862 eff. January 15, 2010); and 2) submit an Annual Statistical Report to the Governor and General Assembly by January 14 each year (Public Act 096-0734 eff. August 25, 2009), were amended and subsequently complied with by the Agency. The Agency sought repeal of Agency requirements to: 1) appoint members to the Sex Education Advisory Board; 2) grant certificates of recognition to normal schools for all school districts or counties; and 3) appoint members to the Advisory Council on Compensatory Education and adopt rules and regulations to carry out its related duties. The legislation to repeal these requirements was passed on May 29, 2009 with an effective date of August 25, 2009 (Public Act 096-0734).

Failure to carry out mandated duties is noncompliance with statutory requirements and does not achieve legislative intent for the affected programs. (Finding Code No. 10-2, 08-2, 07-1, 06-1, 05-2, 04-6, 03-6, 02-13, 00-9)

RECOMMENDATION

We recommend the Agency either comply with mandates or seek legislative changes to eliminate these statutory requirements. Further, the Agency should identify all obsolete mandates and seek their repeal.

AGENCY RESPONSE

The Agency agrees with this finding and will seek legislative changes to eliminate these statutory requirements.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT
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FOR THE TWO YEARS ENDED JUNE 30, 2010

CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES

STATE COMPLIANCE (Continued)

FINDING 10-3 Failure to Assume Duties

The Agency did not perform as the successor agency as required for the Illinois Summer School for the Arts (School).

The School was created in 1986 to seek out and nurture the artistic talent of high school students via a two week residential arts program. The School has been inactive since fiscal year 2001, but as of June 30, 2007 still had two locally held accounts with a total balance of \$12,352, for which Illinois State University served as fiscal agent.

The Illinois Summer School for the Arts Act (105 ILCS 310/4.5) requires that on January 1, 2009, all of the powers, duties, assets, liabilities, employees, contracts, property, records, pending business, and unexpended appropriations of the board of trustees of the Illinois Summer School for the Arts are transferred to the State Board of Education. The State Board of Education is declared to be the successor agency of the board of trustees of the Illinois Summer School for the Arts. Rules, standards, and procedures of the board of trustees of the Illinois Summer School for the Arts in effect on January 1, 2009 shall be deemed rules, standards, and procedures of the State Board of Education and shall remain in effect until amended or repealed by the State Board of Education.

Agency personnel stated they did not perform anything in relation to the Illinois Summer School for the Arts Act as there was no new funding received for this program. Further, Agency personnel were not aware there were funds being maintained for the School.

By not assessing the needs and assuming responsibility for the School, there is potentially \$12,352 in School funds unmonitored and unused by the Agency. Further, the Agency cannot ensure that any other assets, property, or records are being managed. (Finding Code 10-3)

RECOMMENDATION

We recommend the Agency designate a division or employee to assess the viability and needs of the School and to adhere to its mandated duties.

AGENCY RESPONSE

The Agency agrees with the recommendation and is in the process of performing the tasks required as the successor agency for the Illinois Summer School for the Arts. The Agency will also review this statute for possible legislative amendment or repeal.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2010
AND
COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2010

CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES

STATE COMPLIANCE (Continued)

FINDING 10-4 Schools on Academic Watch List

The Agency did not take any actions on the schools identified to have been on academic watch status after three years following placement in such status.

During our testing, we noted 411 schools had been on academic watch status for 4 to 8 years by the end of the 2008-2009 school year and 471 schools and 42 school districts had been on academic watch status for 4 to 9 years by the end of the 2009-2010 school year. The Agency had taken some remedial steps during the first three years on academic watch status. However, the Agency had not taken the required action on the schools and school districts noted after three years on such status.

The School Code (105 ILCS 5/2-3.25f) requires the State Board of Education to take one of several actions on schools and school districts that remained on academic watch status after 3 years following its placement on such status. School board members may be removed and an Independent Authority may be temporarily appointed for purposes of improving pupil performance and school improvement. Alternatively, the Agency may cease to recognize the school district or school, "direct the reassignment of pupils, or direct the reassignment or replacement of school district personnel who are relevant to the failure to meet adequate yearly progress criteria."

Agency personnel stated the Agency failed to take action on schools that remained in academic watch status after 3 years due to lack of resources.

Not taking appropriate action against schools placed on the academic watch list may result in the continued underperformance of those Illinois schools and is noncompliance with State law. (Finding Code 10-4)

RECOMMENDATION

We recommend the Agency identify, seek, or reallocate resources to ensure compliance with State law.

AGENCY RESPONSE

The Agency agrees with the finding. With the lack of financial resources available to comply with this mandate, ISBE is in the process of evaluating the mandate identified in the School Code with a possibility of seeking a legislative amendment.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

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CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES

STATE COMPLIANCE (Continued)

FINDING 10-5 Private Business and Vocational Schools State Advisory Council

The Private Business and Vocational Schools State Advisory Council was not composed of 12 members, including a chairman as required by the Private Business and Vocational Schools Act (Act).

During the examination period, nine members were appointed to the Council but one member resigned in May 2010, resulting in four vacancies.

The Act (105 ILCS 425/2) created, under the State Board of Education, a Private Business and Vocational Schools State Advisory Council which is to be composed of 12 members.

Agency personnel stated the Agency continues to run into difficulties in appointing 12 members to the Council. Agency management stated they are contemplating major changes to this program, including shifting administration of the Act to another State agency whose functions and duties are better aligned to the purpose and requirements of the Act.

Vacancies limit the input on decisions of the Council by all parties as intended by the legislature. (Finding Code No. 10-5)

RECOMMENDATION

We recommend the Agency establish policies and procedures to ensure that appropriate individuals are identified and appointed to the Council in a timely manner.

AGENCY RESPONSE

The Agency agrees with the finding and will continue to work diligently to comply with this mandate as we explore options of working with other State Agencies whose functions and duties are better aligned to the purpose and requirements of this Act.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT
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FOR THE TWO YEARS ENDED JUNE 30, 2010

CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES

STATE COMPLIANCE (Continued)

FINDING 10-6 Noncompliance with the Fiscal Control and Internal Auditing Act

The Agency did not comply with provisions of the Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/1001 et seq.).

During our review, we found Internal Audit did not audit all the Agency's major systems over the two year cycle. During fiscal year 2009 the Agency completed one (1) of eleven (11) planned audits. During fiscal year 2010 the Agency completed one (1) audit from the prior year and none of the sixteen (16) planned audits per the Agency's audit plan.

The Act requires audits of major systems of internal accounting and administrative control be conducted on a periodic basis so that all major systems are reviewed at least once every two years. The Act further requires that audits include testing of the obligation, expenditure, receipt and use of public funds of the State and of funds held in trust to determine whether those activities are in accordance with applicable laws and regulations.

Agency personnel stated that the audit plan is established in order to provide audit coverage of all major systems of internal accounting and administrative control over a two-year cycle, as required by the Fiscal Control and Internal Audit Act. Lack of sufficient staffing did not permit Internal Audit to complete the audits on the audit plan. Further, the Internal Auditors devoted a significant amount of time on American Recovery and Reinvestment Act of 2009 related issues for the Agency.

The Internal Audit Division cannot assure management that reasonable controls exist if internal controls of major systems of internal accounting and administrative control are not reviewed. The lack of audits of major systems could result in undetected control deficiencies leading to possible errors, misstatements or fraud. (Finding Code No. 10-6, 08-3, 07-2, 06-2)

RECOMMENDATION

We recommend the Agency allocate adequate resources to the Internal Audit Division to ensure audits of major systems are performed at least once every two years as required by the Fiscal Control and Internal Auditing Act.

AGENCY RESPONSE

The Agency agrees with this recommendation and understands the importance of compliance with the Fiscal Control and Internal Auditing Act. ISBE is in the process of allocating adequate resources to the Internal Audit Division to ensure compliance with this Act.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2010
AND
COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2010

CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES

STATE COMPLIANCE (Continued)

PRIOR FINDINGS NOT REPEATED

A. Inadequate Controls Over the Financial Reporting Process

During the prior audit, the Agency did not have adequate procedures to ensure proper identification and recording of all financial information.

During the current audit, the Agency implemented adequate procedures to ensure the proper recording of financial information. (Finding Code No. 09-1, 08-1)

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2010
AND
COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2010

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Illinois State Board of Education was performed by Washington, Pittman & McKeever, L.L.C.

Based on their audit, the auditors expressed an unqualified opinion on the Agency's basic financial statements.

WASHINGTON, PITTMAN & McKEEVER, LLC

*CERTIFIED PUBLIC ACCOUNTANTS AND
MANAGEMENT CONSULTANTS*

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INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

and

The Board Members of the
Illinois State Board of Education

As Special Assistant Auditor for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Illinois State Board of Education, as of and for the year ended June 30, 2010, which collectively comprise the Illinois State Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Illinois State Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the financial statements of the Illinois State Board of Education are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Illinois State Board of Education. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Illinois State Board of Education as of June 30, 2010 and the respective changes in financial position 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 March 24, 2011 on our consideration of the Illinois State Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Illinois State Board of Education has not presented a management's discussion and analysis and budgetary comparison information for the General Fund that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Illinois State Board of Education's basic financial statements. The combining individual governmental funds - General Fund and the combining individual governmental funds - Nonmajor Funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining individual governmental funds - General Fund and the combining individual governmental funds - Nonmajor Funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Supplementary Information for State Compliance Purposes have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

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

Washington, Pittman & McKeever, LLC

WASHINGTON, PITTMAN & McKEEVER, LLC

Chicago, Illinois
March 24, 2011

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET

AS OF JUNE 30, 2010

(amounts expressed in thousands)

	General Fund	Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Assets
ASSETS					
Unexpended appropriations	\$ 102,905	\$ -	\$ 102,905	\$ -	\$ 102,905
Cash and cash equivalents	5	8,065	8,070	-	8,070
Securities lending collateral equity	-	628	628	-	628
Due from federal government	958	323,081	324,039	-	324,039
Due from local governments	41	1,744	1,785	-	1,785
Other receivables	1,874	611	2,485	-	2,485
Due from other State funds	775	861	1,636	-	1,636
Due from component units of the State	301	234	535	-	535
Inventories	-	1,736	1,736	-	1,736
Loans receivable	-	4,950	4,950	-	4,950
Prepaid expenses	-	-	-	531	531
Capital assets not being depreciated	-	-	-	2,456	2,456
Capital assets net of depreciation	-	-	-	12,901	12,901
TOTAL ASSETS	\$ 106,859	\$ 341,910	\$ 448,769	\$ 15,888	\$ 464,657
LIABILITIES					
Accounts payable and accrued liabilities	\$ 2,469	\$ 4,802	\$ 7,271	\$ -	\$ 7,271
Obligations under securities lending	-	628	628	-	628
Due to federal government	-	1,586	1,586	-	1,586
Due to local governments	1,711,615	336,967	2,048,582	-	2,048,582
Due to other State funds	890	3,712	4,602	-	4,602
Due to component units of the State	562	745	1,307	-	1,307
Deferred revenue	-	4,593	4,593	(4,593)	-
Compensated absences, current portion	-	-	-	73	73
Installment purchase, current portion	-	-	-	185	185
Other liabilities, current portion	-	-	-	5,274	5,274
Compensated absences, long-term portion	-	-	-	4,335	4,335
Installment purchase, long-term portion	-	-	-	383	383
Total Liabilities	1,715,536	353,033	2,068,569	5,657	2,074,226
FUND BALANCE/NET ASSETS					
Reserved for encumbrances	3	1	4	(4)	-
Reserved for inventories	-	1,736	1,736	(1,736)	-
Reserved for long-term portion of loans receivable	-	4,950	4,950	(4,950)	-
Invested in capital assets, net of related debt	-	-	-	14,789	14,789
Restricted net assets	-	-	-	3,598	3,598
Unreserved, unrestricted	(1,608,680)	(17,810)	(1,626,490)	(1,466)	(1,627,956)
Total Fund Deficit/Net Deficit	(1,608,677)	(11,123)	(1,619,800)	\$ 10,231	\$ (1,609,569)
TOTAL LIABILITIES AND FUND DEFICIT	\$ 106,859	\$ 341,910	\$ 448,769		

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET ASSETS

AS OF JUNE 30, 2010

(amounts expressed in thousands)

Total Fund Deficit - governmental funds	\$	(1,619,800)
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 governmental funds.		15,357
Prepaid expenses for governmental activities are current uses of financial resources for funds.		531
Revenues in the Statement of Activities that do not provide current financial resources are deferred in governmental funds.		4,593
Some liabilities reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds. These activities consist of:		
Capital lease obligations		(568)
Compensated absences		(4,408)
Claims and judgments		(5,274)
NET DEFICIT FROM GOVERNMENTAL ACTIVITIES	\$	<u>(1,609,569)</u>

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2010

(amounts expressed in thousands)

	General Fund	Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES					
Program expense - education	\$ 7,102,211	\$ 2,610,493	\$ 9,712,704	\$ 55	\$ 9,712,759
Debt service principal	69	108	177	(177)	-
Debt service interest	14	20	34	(34)	-
Capital outlays	1,146	1,539	2,685	(2,685)	-
Total Expenditures/Expenses	<u>7,103,440</u>	<u>2,612,160</u>	<u>9,715,600</u>	<u>(2,841)</u>	<u>9,712,759</u>
PROGRAM REVENUES					
Charges for services:					
Licenses and fees	109	2,018	2,127	-	2,127
Total charges for services	<u>109</u>	<u>2,018</u>	<u>2,127</u>	<u>-</u>	<u>2,127</u>
Operating grant revenue:					
Federal	1,016,184	2,588,284	3,604,468	520	3,604,988
Refunds	-	(3,237)	(3,237)	-	(3,237)
Total operating grant revenue	<u>1,016,184</u>	<u>2,585,047</u>	<u>3,601,231</u>	<u>520</u>	<u>3,601,751</u>
Net Program Deficit	<u>(6,087,147)</u>	<u>(25,095)</u>	<u>(6,112,242)</u>	<u>3,361</u>	<u>(6,108,881)</u>
GENERAL REVENUES					
Interest	-	92	92	-	92
Other (net)	4	1,371	1,375	-	1,375
Total General Revenues	<u>4</u>	<u>1,463</u>	<u>1,467</u>	<u>-</u>	<u>1,467</u>
OTHER SOURCES (USES)					
Appropriations from State resources	7,321,855	18,130	7,339,985	-	7,339,985
Receipts collected and remitted to State Treasury	(1,022,888)	(6)	(1,022,894)	-	(1,022,894)
Capital transfers (to) other State agencies	-	-	-	(6)	(6)
Operating transfers - in	-	700	700	(100)	600
Operating transfers - out	(100)	(2,961)	(3,061)	100	(2,961)
Proceeds from capital lease and installment purchase financing	-	35	35	(35)	-
Total Other Sources (Uses)	<u>6,298,867</u>	<u>15,898</u>	<u>6,314,765</u>	<u>(41)</u>	<u>6,314,724</u>
Change in fund balances/net assets	211,724	(7,734)	203,990	<u>\$ 3,320</u>	207,310
Lapsed appropriations	(51,031)	(48)	(51,079)		(51,079)
Fund Balances/Net Assets July 1, 2009, as restated	<u>(1,769,370)</u>	<u>(3,341)</u>	<u>(1,772,711)</u>		<u>(1,765,800)</u>
FUND DEFICIT/NET DEFICIT JUNE 30, 2010	<u>\$ (1,608,677)</u>	<u>\$ (11,123)</u>	<u>\$ (1,619,800)</u>		<u>\$ (1,609,569)</u>

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

(amounts expressed in thousands)

Net Change in Fund Balance - governmental funds	\$	203,990
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation and amortization expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.		1,352
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		211
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the obligation is reported as a liability.		(35)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the decrease in unavailable revenue over the prior year.		520
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:		
Increase in prepaid expenses		236
Decrease in compensated absences		64
Decrease in claims and judgments		1,013
Increase in capital lease		(35)
Some capital assets were transferred out to other State agencies and, therefore, were disposed of by the Agency without receipt for value.		(6)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	207,310

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

1. ORGANIZATION

The Illinois State Board of Education (the Agency) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The Agency operates under a budget approved by the General Assembly in which resources primarily from the State's General Fund and other funds are appropriated for the use of the Agency. Activities of the Agency are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Department of Central Management Services and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to the Agency and all other cash received are under the custody and control of the State Treasurer.

The Illinois State Board of Education is organized to provide leadership, assistance, resources and advocacy so that every student is prepared to succeed in careers and postsecondary education, and share accountability for doing so with districts and schools.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Agency have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

FINANCIAL REPORTING ENTITY

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either a) the primary government's ability to impose its will, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Based upon the required criteria, the Agency has no component units and is not a component unit of any other entity. However, because the Agency is not legally separate from the State of Illinois, the financial statements of the Agency are included in the financial statements of the State of Illinois. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1871.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

BASIS OF PRESENTATION

The financial activities of the Agency, which consist only of governmental activities, are reported under the education function in the State of Illinois' Comprehensive Annual Financial Report. For its reporting purposes, the Agency has combined the fund and government-wide financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. A brief description of the Agency's government-wide and fund financial statements is as follows:

Government-wide Statements: The government-wide statement of net assets and statement of activities report the overall financial activity of the Agency. Eliminations have been made to minimize the double-counting of internal activities of the Agency. The financial activities of the Agency consist only of governmental activities, which are primarily supported by taxes and intergovernmental revenues.

The statement of net assets presents the assets and liabilities of the Agency's governmental activities with the difference being reported as net assets. The assets and liabilities are presented in order of their relative liquidity by class of asset or liability with liabilities whose average maturities are greater than one year reported in two components – the amount due within one year and amount due in more than one year.

The statement of activities presents a comparison between direct expenses and program revenues for the education function of the Agency's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Agency's funds. The emphasis on fund financial statements is on major governmental funds, which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Agency administers the following major governmental funds (or portions thereof in the case of shared funds – see Note 2 Shared Fund Presentation) of the State:

General – This is the State's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund. The services which are administered by the Agency and accounted for in the general fund include, among others, social assistance, education (other than institutions of higher education), and health and social services. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements. The Agency's General Fund grouping contains three primary sub-accounts (General Revenue – 001, Education Assistance – 007, and Common School – 412).

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

Additionally, the Agency administers the following fund type:

Special Revenue Transactions related to resources obtained from specific revenue sources (other than capital projects) that are legally restricted to expenditures for specified purposes are accounted for in special revenue funds. All Agency administered State and federal trust funds are included in the Special Revenue Funds grouping.

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 at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Agency gives (or receives) value without directly receiving (or giving) equal value in exchange, include federal and State grants. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include intergovernmental grants. All revenue sources including fees and other miscellaneous revenues are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

SHARED FUND PRESENTATION

The financial statement presentation for the General Revenue Fund (001), Education Assistance Fund (007), Drivers Education Fund (031), Common School Fund (412), and School Infrastructure Fund (568) represents only the portion of the shared funds that can be directly attributed to the operations of the Agency. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Comprehensive Annual Financial Report.

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the Agency's portion of shared funds:

Unexpended Appropriation

This "asset" account represents lapse period warrants issued between July and August annually in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year.

Appropriations from State Resources

This "other financing source" account represents the final legally adopted appropriation according to SAMS records.

Reappropriations to Future Year(s)

This contra revenue account reduces current year appropriations by the amount of the reappropriation to reflect the State's realignment of the budgetary needs to the subsequent year and avoid double counting of a portion of the appropriation in more than one fiscal year.

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 14 month period from July to August of the following year and reappropriations to subsequent years according to SAMS records.

Receipts Collected and Transmitted to State Treasury

This "other financing source" account represents all cash receipts received during the fiscal year from SAMS records.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of less than 90 days at the time of purchase and consist principally of deposits held in the State Treasury. Cash and cash equivalents also include cash on hand and in transit.

INVENTORIES

For governmental funds, the Agency recognizes the costs of inventories as expenditures when purchased. At year end, physical counts are taken of significant inventories, consisting primarily of agricultural commodities and paper, printing and office supplies are valued at cost, principally on the first-in first-out (FIFO) method. Inventories reported in governmental funds do not reflect current appropriable resources, and therefore, the Agency reserves an equivalent portion of fund balance. Commodities are valued at the value assigned to the commodities by the donor, the U.S. Department of Agriculture.

INTERFUND TRANSACTIONS AND TRANSACTIONS WITH STATE OF ILLINOIS COMPONENT UNITS

The Agency has the following types of interfund transactions between funds of the Agency and funds of other State agencies:

Services provided and used -- sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements -- repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers -- flows of assets (such as cash or commodities) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

The Agency also has activity with various component units of the State of Illinois for professional services received and payments for State and Federal programs.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

CAPITAL ASSETS

Capital assets, which include property, plant and equipment, and intangible assets, are reported at cost in the adjustment column of the government-wide financial statements. Contributed assets are reported at estimated fair value at the time received. Capital assets are depreciated and amortized using the straight-line method. Intangible assets (internally generated computer software) are assets that do not have a physical existence, are non-financial in nature, are not in a monetary form, and have a useful life of over one year.

Capitalization thresholds and the estimated useful lives are as follows:

<u>Capital Asset Category</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$100,000	n/a
Land Improvements	25,000	n/a
Site Improvements	25,000	3-50 years
Buildings	100,000	10-60 years
Building Improvements	25,000	10-45 years
Equipment	5,000	3-25 years
Intangibles (internally generated computer software)	1,000,000	20 years

COMPENSATED ABSENCES

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated vacation and sick leave balances for Agency employees. A liability for these amounts is reported in governmental funds only if they have matured: for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., Social Security and Medicare tax).

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

FUND BALANCES

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Designations of fund balances represent tentative State plans that are subject to change.

NET ASSETS

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

Invested in Capital Assets, Net of Related Debt This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FUTURE ADOPTION OF GASB STATEMENTS

Effective for the year ending June 30, 2011 the Agency will adopt GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which will enhance the usefulness of fund balance information by providing clearer fund balance classifications. The Agency has not yet determined the impact on the Agency's financial statements as a result of adopting this statement.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

3. CHANGE IN ACCOUNTING PRINCIPLE

The Agency has restated net assets as of July 1, 2009 for the implementation of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This change is reported as a cumulative effect of a change in accounting principle in the amount of \$11,404 (in thousands) and is reflected as a restatement of beginning net asset.

4. DEPOSITS

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury.

Deposits in the custody of the State Treasurer, including cash on hand or in transit, totaled \$8.070 million at June 30, 2010. These deposits are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Agency does not own individual securities. Detail on the nature of these deposits is available within the State of Illinois' Comprehensive Annual Financial Report.

Securities Lending Transactions

Under the authority of the Treasurer's published investment policy that was developed in accordance with the State statute, the State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank Group to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2010, Deutsche Bank Group lent U.S. agency securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate market value of the loaned securities. Loans are marked to market daily. If the market value of collateral falls below 100%, the borrower must provide additional collateral to raise the market value to 100%.

The State Treasurer did not impose any restrictions during the fiscal year on the amount of the loans of available, eligible securities. In the event of borrower default, Deutsche Bank Group provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank Group is obligated to indemnify the State Treasurer if Deutsche Bank Group loses any securities, collateral, or investments of the State Treasurer in Deutsche Bank Group's custody. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or Deutsche Bank Group.

During the fiscal year, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank Group and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent.

In accordance with GASB Statement No. 28, paragraph 9, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2010 arising from securities lending agreements to the various funds of the State. The total allocated to the Agency at June 30, 2010 was \$628 million.

5. INTERFUND BALANCES AND ACTIVITY

BALANCES DUE TO/FROM OTHER FUNDS

The following balances (amounts expressed in thousands) at June 30, 2010 represent amounts due from other funds of the Agency and other State of Illinois funds.

<u>Fund</u>	<u>Due from other funds of the Agency</u>	<u>Due from other State funds</u>	<u>Description/Purpose</u>
General	\$ -	\$ 775	Grants for educational purposes
Nonmajor Governmental	-	861	Grants for educational purposes, federal food service programs and temporary relocation expenses
Total	<u>\$ -</u>	<u>\$ 1,636</u>	

The following balances (amounts expressed in thousands) at June 30, 2010 represent amounts due to other funds of the Agency and other State of Illinois funds.

<u>Fund</u>	<u>Due to other funds of the Agency</u>	<u>Due to other State funds</u>	<u>Description/Purpose</u>
General	\$ -	\$ 890	Grants for educational purposes
Nonmajor Governmental	-	3,712	Grants for educational purposes and for federal food service programs
Total	<u>\$ -</u>	<u>\$ 4,602</u>	

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

TRANSFERS TO/FROM OTHER FUNDS

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2010, were as follows:

<u>Fund</u>	<u>Transfers in from other funds of the Agency</u>	<u>Transfers in from other State funds</u>	<u>Description/Purpose</u>
General	\$ -	\$ -	N/A
Nonmajor Governmental	<u>100</u>	<u>600</u>	Transfer from General fund for temporary relocation expenses from Board of Higher Education and Illinois Office of Comptroller.
Total	<u>\$ 100</u>	<u>\$ 600</u>	

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2010, were as follows:

<u>Fund</u>	<u>Transfers out to other funds of the Agency</u>	<u>Transfers out to other State funds</u>	<u>Description/Purpose</u>
General	\$ 100	\$ -	Transfer to Agency nonmajor governmental funds for temporary relocation expenses.
Nonmajor Governmental	<u>-</u>	<u>2,961</u>	Funds swept into General Revenue Fund
Total	<u>\$ 100</u>	<u>\$ 2,961</u>	

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

6. BALANCES AND ACTIVITY BETWEEN THE AGENCY AND COMPONENT UNITS

Transactions between the Agency and component units of the State of Illinois include payments for professional services and payments for State and federal grant programs.

Amounts due to/from discretely presented component units of the State of Illinois at June 30, 2010 were as follows (amounts expressed in thousands):

<u>Fund</u>	<u>Due from component units</u>	<u>Due to component units</u>	<u>Description/Purpose</u>
General	\$ 301	\$ 562	Grants for educational purposes and for federal food service programs
Nonmajor Governmental	<u>234</u>	<u>745</u>	Grants for educational purposes and for federal food service programs
Total	<u>\$ 535</u>	<u>\$ 1,307</u>	

7. LOANS RECEIVABLE

The Agency administers four programs that provide loans to schools for various educational purposes.

- *School District Emergency Financial Assistance Program* – This program is available to provide school districts with emergency financial assistance.
- *Charter Schools Revolving Loan Program* – This program is designed to encourage and financially support high quality charter schools throughout Illinois. Loans are available to charter schools in the initial years of their charters.
- *School Technology Revolving Loan Program* – This program is designed to provide school districts with the technology tools and research-proven software to help all of their students achieve the Illinois Learning Standards, especially in reading and mathematics. Three-year loans are available to school districts through this program to assist in achieving these goals.
- *Temporary Relocation Revolving Loan Program* – This program is available to pay school district emergency relocation expenses incurred as a result of fire, earthquake, tornado, or other natural or man-made disaster or school building condemnation made by a Regional Office of Education and approved by the State Superintendent of Education. The purpose of the program is to assist school districts in providing a safe, temporary environment for learning.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

Loans receivable at June 30, 2010, consisted of the following:

<u>Program</u>	<u>Balance</u> <u>June 30, 2010</u>
School District Emergency Financial Assistance Program	\$ 1,647
Charter Schools Revolving Loan Program	27
School Technology Revolving Loan Program	2,670
Temporary Relocation Revolving Loan Program	<u>606</u>
Total	<u>\$ 4,950</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

8. CAPITAL ASSETS

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Additions	Deletions	Net Transfers	Balance June 30, 2010
Capital assets not being depreciated:					
Land	\$ 1,063	\$ -	\$ -	\$ -	\$ 1,063
Total capital assets not being depreciated	1,063	-	-	-	1,063
Capital assets being depreciated:					
Buildings	436	-	-	-	436
Equipment	7,217	170	774	(94)	6,519
Capital leases equipment	-	35	-	-	35
Total capital assets being depreciated	7,653	205	774	(94)	6,990
Less: accumulated depreciation					
Buildings	247	9	-	-	256
Equipment	5,862	480	768	(94)	5,480
Capital leases equipment	-	12	-	-	12
Total accumulated depreciation	6,109	501	768	(94)	5,748
Total capital assets being depreciated, net	1,544	(296)	6	-	1,242
TOTAL CAPITAL ASSETS, NET	\$ 2,607	\$ (296)	\$ 6	\$ -	\$ 2,305

Depreciation expense for governmental activities for the year ended June 30, 2010 was charged to the Education function in the amount of \$501 thousand.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

Intangible asset activity (amounts expressed in thousands) for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009, as Restated	Additions	Deletions	Net Transfers	Balance June 30, 2010
Intangible assets not being amortized:					
Internally generated in development	\$ 613	\$ 780	\$ -	\$ -	\$ 1,393
Total Intangible assets not being amortized	613	780	-	-	1,393
Intangible assets being amortized:					
Internally generated computer software	13,052	1,700	-	-	14,752
Total intangible assets being amortized	13,052	1,700	-	-	14,752
Less: accumulated amortization					
Internally generated computer software	2,261	832	-	-	3,093
Total accumulated amortization	2,261	832	-	-	3,093
Total intangible assets being amortized, net	10,791	868	-	-	11,659
Total intangible assets, net	\$ 11,404	\$ 1,648	\$ -	\$ -	\$ 13,052

Amortization expense for governmental activities for the year ended June 30, 2010 was charged to the Education function for an amount of \$832 thousand.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

9. LONG-TERM OBLIGATIONS

CHANGES IN LONG-TERM OBLIGATIONS

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2010 was as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>	<u>Amounts due within 1 year</u>
Compensated absences	\$ 4,472	\$ 2,867	\$ 2,931	\$ 4,408	\$ 73
Installment purchases	709	35	176	568	185
Other obligations	<u>6,287</u>	<u>-</u>	<u>1,013</u>	<u>5,274</u>	<u>5,274</u>
TOTAL	<u>\$ 11,468</u>	<u>\$ 2,902</u>	<u>\$ 4,120</u>	<u>\$ 10,250</u>	<u>\$ 5,532</u>

Compensated absences have been liquidated by the applicable governmental funds that account for the salaries and wages of the related employees. Claims and judgments, reported as other obligations, typically have been liquidated from the S.B.E. Federal Department of Education Fund (561).

INSTALLMENT PURCHASES

The Agency has acquired certain office equipment, computer equipment, and other assets through installment purchase arrangements. Future debt service requirements under installment purchase contracts (amounts expressed in thousands) at June 30, 2010 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	185	25	210
2012	194	17	211
2013	189	9	198
Total	<u>\$ 568</u>	<u>\$ 51</u>	<u>\$ 619</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

10. PENSION PLAN

PLAN DESCRIPTION

Substantially all of the Agency's full-time employees who are not eligible for participation in another State-sponsored retirement plan participate in either the State Employees' Retirement System (SERS) or the Teachers' Retirement System (TRS), which are pension trust funds of the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which the State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The TRS is a cost-sharing multiple-employer PERS covering individuals employed to provide services for which teacher certification is required.

The financial position and results of operations of the SERS and the TRS for fiscal year 2010 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2010. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255 or by calling (217) 785-7202. The TRS also issues a separate CAFR that may be obtained by writing to the TRS, P.O. Box 19253, Springfield, Illinois, 62794-9253 or by calling (217) 753-0311. The State of Illinois CAFR may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1858 or by calling (217) 782-2053.

A summary of SERS' and TRS' benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established, are included as an integral part of the SERS' and TRS' CAFRs. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

FUNDING POLICY

For employees covered by the SERS, the Agency pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2010, the employer contribution rates for the SERS were 28.377%. Effective for pay periods beginning after December 31, 1991, the State opted to pay the entire employee portion of retirement for most State agencies, including the Agency, with employees covered by the State Employees' Retirement System. However, effective with the fiscal year 2004 budget, the State opted to stop paying the portion or a part of the portion of retirement for many State agencies, including the Agency, for certain classes of employees covered by the State Employees' and Teachers' Retirement Systems. The pickup, when applicable, is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies.

For employees covered by the TRS, the Agency pays employer retirement contributions based on a statutory based percentage of .58%. For employees paid from federal funds, the fiscal year 2010 employer contribution rate to the TRS was 20.38%. In addition, the State of Illinois makes employer contributions "on behalf" of TRS covered employees. For the year ended June 30, 2010, State contributions were based on 9.4% of creditable earnings.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

11. POST-EMPLOYMENT BENEFITS

The State provides health, dental and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service to not have to contribute towards health, dental, and vision, benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefits provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

12. FUND DEFICITS

The following funds had deficit balances at June 30, 2010 (amounts expressed in thousands):

General Revenue Fund	\$1,608,721
Drivers Education Fund	24,230
Federal Department of Education Fund	106

These deficits are expected to be recovered from future years' State appropriations and federal funds.

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ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

13. RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation and natural disasters. The State retains the risk of loss (i.e. self insured) for these risks.

The Agency's risk management activities for self-insurance, unemployment insurance and workers' compensation are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the General fund of the State. These claims are not considered to be a liability of the Agency; and accordingly, have not been reported in the Agency's financial statements for the year ended June 30, 2010.

14. OTHER OBLIGATIONS

A lawsuit against the City of Chicago and the Agency has resulted in a settlement requiring the Agency to pay \$19.25 million over 7 years to the Chicago Public School District 299 to assist the district in providing special education services to identified eligible children within the least restrictive environment. The settlement, reached in July 1999, requires the Agency to pay \$2.75 million per year through January 2006. In fiscal year 2005, a federal judge extended the ruling through the end of the 2009-2010 school year. Due to the district's failure to disburse an adequate amount of the Agency's portion of the settlement for the intended purpose, the Agency had paid only \$13.98 million of the settlement amount through June 30, 2010. A second motion to extend the Agency's settlement agreement through August 1, 2011 has been approved by the federal court. The Agency's Federal Department of Education Fund, a nonmajor governmental fund, is expected to be used to repay the liability of \$5.27 million from future resources of this fund. As of June 30, 2010, the current and long term portions of the obligation are \$5.27 and \$0-million, respectively.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

15. COMMITMENTS AND CONTINGENCIES

OPERATING LEASES

The Agency leases office space under the terms of a noncancelable operating lease agreement that requires the Agency to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was \$2.723 million for the year ended June 30, 2010.

The following is a schedule of future minimum lease payments (amounts expressed in thousands):

<u>Year ending June 30,</u>	<u>Amount</u>
2011	\$ 2,484
Total	<u>\$ 2,484</u>

FEDERAL FUNDING

The Agency receives federal grants, which are subject to review and audit by federal grantor agencies. Certain costs could be questioned as not being eligible expenditures under the terms of the grants. At June 30, 2010, there were no material questioned costs that had not been resolved with the federal awarding agencies. However, questioned costs could still be identified during audits to be conducted in the future. Management of the Agency believes there will be no material adjustments to the federal grants and, accordingly, has not recorded a provision for possible repayment.

LITIGATION

The Agency is named as a defendant in two separate lawsuits in which the plaintiffs claim personal injury stemming from tainted chicken tenders allegedly consumed by students and a claim regarding breach of a lease agreement.

In addition, the Agency is involved in a number of legal proceedings and claims that cover a wide range of matters. The ultimate results of these lawsuits and other proceedings against the Agency cannot be predicted with certainty; however, the Agency does not expect such matters to have a material affect on the financial position of the Agency.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMBINING INDIVIDUAL GOVERNMENTAL FUNDS - GENERAL FUND
BALANCE SHEET

AS OF JUNE 30, 2010

(amounts expressed in thousands)

	General Revenue Fund (001)	Education Assistance Fund (007)	Common School Fund (412)	Total
ASSETS				
Cash and cash equivalents	\$ 5	\$ -	\$ -	\$ 5
Due from federal government	958	-	-	958
Due from local government	-	41	-	41
Other receivables	1,874	-	-	1,874
Due from other State funds	775	-	-	775
Due from component units of the State	301	-	-	301
Unexpended appropriation	102,693	-	212	102,905
TOTAL ASSETS	\$ 106,606	\$ 41	\$ 212	\$ 106,859
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,469	\$ -	\$ -	\$ 2,469
Due to local government	1,711,615	-	-	1,711,615
Due to other State funds	681	-	209	890
Due to component units of the State	562	-	-	562
Total Liabilities	1,715,327	-	209	1,715,536
FUND BALANCES				
Reserved for:				
Encumbrances	-	-	3	3
Inventories	-	-	-	-
Long-term portion of loans receivable	-	-	-	-
Unreserved:				
Undesignated	(1,608,721)	41	-	(1,608,680)
Total Fund Balance (Deficit)	(1,608,721)	41	3	(1,608,677)
TOTAL LIABILITIES AND FUND BALANCES	\$ 106,606	\$ 41	\$ 212	\$ 106,859

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMBINING INDIVIDUAL GOVERNMENTAL FUNDS - GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2010

(amounts expressed in thousands)

	General Revenue Fund (001)	Education Assistance Fund (007)	Common School Fund (412)	Total
REVENUES				
Federal government	\$ 1,016,184	\$ -	\$ -	\$ 1,016,184
Licenses and fees	109	-	-	109
Other revenues	4	-	-	4
Total Revenues	<u>1,016,297</u>	<u>-</u>	<u>-</u>	<u>1,016,297</u>
EXPENDITURES				
Education	2,941,154	945,007	3,216,050	7,102,211
Debt Service:				
Principal	69	-	-	69
Interest	14	-	-	14
Capital outlay	1,146	-	-	1,146
Total Expenditures	<u>2,942,383</u>	<u>945,007</u>	<u>3,216,050</u>	<u>7,103,440</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(1,926,086)</u>	<u>(945,007)</u>	<u>(3,216,050)</u>	<u>(6,087,143)</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	3,159,809	945,858	3,216,188	7,321,855
Operating transfers-out	(100)	-	-	(100)
Receipts collected and remitted to State Treasury	(1,021,876)	(1,008)	(4)	(1,022,888)
Net Other Sources (Uses) of Financial Resources	<u>2,137,833</u>	<u>944,850</u>	<u>3,216,184</u>	<u>6,298,867</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET OTHER SOURCES (USES) OF FINANCIAL RESOURCES	211,747	(157)	134	211,724
Lapsed appropriations	(50,988)	-	(43)	(51,031)
Fund Balances (Deficit) July 1, 2009	<u>(1,769,480)</u>	<u>198</u>	<u>(88)</u>	<u>(1,769,370)</u>
FUND BALANCES (DEFICIT) JUNE 30, 2010	<u><u>\$ (1,608,721)</u></u>	<u><u>\$ 41</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ (1,608,677)</u></u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMBINING INDIVIDUAL GOVERNMENTAL FUNDS - NONMAJOR FUNDS
BALANCE SHEET

AS OF JUNE 30, 2010

(amounts expressed in thousands)

	Special Revenue Funds			
	Teacher Certificate Fee Revolving Fund (016)	Drivers Education Fund (031)	School District Emergency Financial Assistance Fund (130)	S.B.E. Special Purpose Trust Fund (144)
ASSETS				
Cash and cash equivalents	\$ 1,363	\$ -	\$ 369	\$ 1,382
Securities lending collateral equity	-	-	-	-
Due from federal government	-	-	-	-
Due from local governments	-	-	6	3
Other receivables	-	-	-	-
Due from other State funds	-	-	-	9
Due from component units of the State	-	-	-	-
Inventories	-	-	-	-
Loans receivable	-	-	1,647	-
TOTAL ASSETS	\$ 1,363	\$ -	\$ 2,022	\$ 1,394
LIABILITIES				
Accounts payable and accrued liabilities	\$ 41	\$ -	\$ -	\$ 52
Obligations under securities lending	-	-	-	-
Due to federal government	-	-	-	-
Due to local governments	-	24,230	-	-
Due to other State funds	-	-	-	17
Due to component units of the State	-	-	-	59
Deferred revenue	-	-	-	-
Total Liabilities	41	24,230	-	128
FUND BALANCES				
Reserved for:				
Encumbrances	-	-	-	1
Inventories	-	-	-	-
Long-term portion of loans receivable	-	-	1,647	-
Unreserved:				
Undesignated	1,322	(24,230)	375	1,265
Total Fund Balance (Deficit)	1,322	(24,230)	2,022	1,266
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,363	\$ -	\$ 2,022	\$ 1,394

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMBINING INDIVIDUAL GOVERNMENTAL FUNDS - NONMAJOR FUNDS
BALANCE SHEET

AS OF JUNE 30, 2010

(amounts expressed in thousands)

	<u>Special Revenue Funds</u>			
	<u>S.B.E. Teacher Certification Institute Fund (159)</u>	<u>S.B.E. Federal Dept. of Agriculture Fund (410)</u>	<u>S.B.E. Federal Agency Service Fund (560)</u>	<u>S.B.E. Federal Dept. of Education Fund (561)</u>
ASSETS				
Cash and cash equivalents	\$ 1,047	\$ 437	\$ 50	\$ 1,373
Securities lending collateral equity	-	-	-	-
Due from federal government	-	60,409	146	262,526
Due from local governments	-	-	4	1,731
Other receivables	-	610	-	-
Due from other State funds	-	-	8	244
Due from component units of the State	-	-	-	234
Inventories	-	1,736	-	-
Loans receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 1,047</u>	<u>\$ 63,192</u>	<u>\$ 208</u>	<u>\$ 266,108</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 4	\$ -	\$ 30	\$ 4,675
Obligations under securities lending	-	-	-	-
Due to federal government	-	33	5	1,548
Due to local governments	-	56,710	173	255,854
Due to other State funds	-	441	-	3,254
Due to component units of the State	-	-	-	686
Deferred revenue	-	4,396	-	197
Total Liabilities	<u>4</u>	<u>61,580</u>	<u>208</u>	<u>266,214</u>
FUND BALANCES				
Reserved for:				
Encumbrances	-	-	-	-
Inventories	-	1,736	-	-
Long-term portion of loans receivable	-	-	-	-
Unreserved:				
Undesignated	1,043	(124)	-	(106)
Total Fund Balance (Deficit)	<u>1,043</u>	<u>1,612</u>	<u>-</u>	<u>(106)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,047</u>	<u>\$ 63,192</u>	<u>\$ 208</u>	<u>\$ 266,108</u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMBINING INDIVIDUAL GOVERNMENTAL FUNDS - NONMAJOR FUNDS
BALANCE SHEET

AS OF JUNE 30, 2010

(amounts expressed in thousands)

	Special Revenue Funds				Total
	Charter Schools Revolving Loan Fund (567)	School Infrastructure Fund (568)	School Technology Revolving Loan Program Fund (569)	Temporary Relocation Expenses Rev. Grant Fund (605)	
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 2,017	\$ 27	\$ 8,065
Securities lending collateral equity	-	-	628	-	628
Due from federal government	-	-	-	-	323,081
Due from local governments	-	-	-	-	1,744
Other receivables	-	-	1	-	611
Due from other State funds	-	-	-	600	861
Due from component units of the State	-	-	-	-	234
Inventories	-	-	-	-	1,736
Loans receivable	27	-	2,670	606	4,950
TOTAL ASSETS	\$ 27	\$ -	\$ 5,316	\$ 1,233	\$ 341,910
LIABILITIES					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 4,802
Obligations under securities lending	-	-	628	-	628
Due to federal government	-	-	-	-	1,586
Due to local governments	-	-	-	-	336,967
Due to other State funds	-	-	-	-	3,712
Due to component units of the State	-	-	-	-	745
Deferred revenue	-	-	-	-	4,593
Total Liabilities	-	-	628	-	353,033
FUND BALANCES					
Reserved for:					
Encumbrances	-	-	-	-	1
Inventories	-	-	-	-	1,736
Long-term portion of loans receivable	27	-	2,670	606	4,950
Unreserved:					
Undesignated	-	-	2,018	627	(17,810)
Total Fund Balance (Deficit)	27	-	4,688	1,233	(11,123)
TOTAL LIABILITIES AND FUND BALANCES	\$ 27	\$ -	\$ 5,316	\$ 1,233	\$ 341,910

**STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION**

**COMBINING INDIVIDUAL GOVERNMENTAL FUNDS-NONMAJOR FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds			
	Teacher Certificate Fee Revolving Fund (016)	Drivers Education Fund (031)	School District Emergency Financial Assistance Fund (130)	S.B.F. Special Purpose Trust Fund (144)
REVENUES				
Federal government	\$ -	\$ -	\$ -	\$ 4,245
Licenses and fees	1,755	-	-	-
Interest	-	-	13	-
Other revenues	-	-	-	298
Refunds	-	-	-	-
Total Revenues	1,755	-	13	4,543
EXPENDITURES				
Education	783	24,277	48	3,932
Debt service-principal	-	-	-	69
Debt service-interest	-	-	-	11
Capital outlay	5	-	-	54
Total Expenditures	788	24,277	48	4,066
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	967	(24,277)	(35)	477
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	-	18,019	-	-
Capital lease and installment purchase acquisition	-	-	-	35
Operating transfers-in	-	-	-	-
Operating transfers-out	-	-	(1,544)	-
Receipts collected and remitted to the State Treasury	-	(6)	-	-
Net Other Sources (Uses) of Financial Resources	-	18,013	(1,544)	35
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES) OF FINANCIAL RESOURCES	967	(6,264)	(1,579)	512
Lapsed appropriations	-	(36)	-	-
Fund Balances (Deficit) July 1, 2009	355	(17,930)	3,601	754
FUND BALANCES (DEFICIT) JUNE 30, 2010	\$ 1,322	\$ (24,230)	\$ 2,022	\$ 1,266

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMBINING INDIVIDUAL GOVERNMENTAL FUNDS-NONMAJOR FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds			
	S.B.E. Teacher Certification Institute Fund (159)	S.B.E. Federal Dept. of Agriculture Fund (410)	S.B.E. Federal Agency Services Fund (560)	S.B.E. Federal Dept. of Education Fund (561)
REVENUES				
Federal government	\$ -	\$ 665,315	\$ 848	\$ 1,917,876
Licenses and fees	263	-	-	-
Interest	-	-	-	-
Other revenues	-	38	-	1,035
Refunds	-	(507)	-	(2,730)
Total Revenues	263	664,846	848	1,916,181
EXPENDITURES				
Education	276	663,991	820	1,915,923
Debt service-principal	-	16	-	23
Debt service-interest	-	4	-	5
Capital outlay	-	829	-	651
Total Expenditures	276	664,840	820	1,916,602
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(13)	6	28	(421)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	-	-	-	-
Capital lease and installment purchase acquisition	-	-	-	-
Operating transfers-in	-	-	-	-
Operating transfers-out	-	-	-	-
Receipts collected and remitted to the State Treasury	-	-	-	-
Net Other Sources (Uses) of Financial Resources	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES) OF FINANCIAL RESOURCES	(13)	6	28	(421)
Lapsed appropriations	-	-	-	-
Fund Balances (Deficit) July 1, 2009	1,056	1,606	(28)	315
FUND BALANCES (DEFICIT) JUNE 30, 2010	\$ 1,043	\$ 1,612	\$ -	\$ (106)

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMBINING INDIVIDUAL GOVERNMENTAL FUNDS-NONMAJOR FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds				Total
	Charter Schools Revolving Loan Fund (567)	School Infrastructure Fund (568)	School Technology Revolving Loan Program Fund (569)	Temporary Relocation Expenses Rev. Grant Fund (605)	
REVENUES					
Federal government	\$ -	\$ -	\$ -	\$ -	\$ 2,588,284
Licenses and fees	-	-	-	-	2,018
Interest	-	-	79	-	92
Other revenues	-	-	-	-	1,371
Refunds	-	-	-	-	(3,237)
Total Revenues	-	-	79	-	2,588,528
EXPENDITURES					
Education	-	108	-	335	2,610,493
Debt service-principal	-	-	-	-	108
Debt service-interest	-	-	-	-	20
Capital outlay	-	-	-	-	1,539
Total Expenditures	-	108	-	335	2,612,160
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(108)	79	(335)	(23,632)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Appropriations from State resources	-	111	-	-	18,130
Capital lease and installment purchase acquisition	-	-	-	-	35
Operating transfers-in	-	-	-	700	700
Operating transfers-out	(72)	-	(1,230)	(115)	(2,961)
Receipts collected and remitted to the State Treasury	-	-	-	-	(6)
Net Other Sources (Uses) of Financial Resources	(72)	111	(1,230)	585	15,898
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES) OF FINANCIAL RESOURCES	(72)	3	(1,151)	250	(7,734)
Lapsed appropriations	-	(12)	-	-	(48)
Fund Balances (Deficit) July 1, 2009	99	9	5,839	983	(3,341)
FUND BALANCES (DEFICIT) JUNE 30, 2010	\$ 27	\$ -	\$ 4,688	\$ 1,233	\$ (11,123)

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2010
AND
COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2010

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

Fiscal Schedules and Analysis:

- Schedule of Expenditures of Federal Awards
 - Year Ended June 30, 2010
 - Year Ended June 30, 2009
- Notes to the Schedule of Expenditures of Federal Awards
- Schedule of Appropriations, Expenditures and Lapsed Balances
 - Fiscal Year 2010
 - Fiscal Year 2009
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Operating Expenditures by Expenditure Type
- Schedule of Changes in State Property
- Comparative Schedule of Cash Receipts
- Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
 - Fiscal Year 2010
 - Fiscal Year 2009
- Comparative Schedule of Distributive Expenditures by Fund
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Variations in Receipts
- Analysis of Significant Lapse Period Spending
- Analysis of Significant Account Balances
- Analysis of Accounts Receivable
- Schedule of Indirect Cost Reimbursements (Unaudited)

Analysis of Operations:

- Agency Functions and Planning Program
- Average Number of Employees and Average Salary Per Employee (Unaudited)
- Annual Statistics – Summary of Demographic Data (Unaudited)
- Emergency Purchases
- Memorandums of Understanding (Unaudited)
- Service Efforts and Accomplishments (Unaudited)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

(amounts expressed in thousands)

	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Awards to Subrecipients</u>
U.S. Department of Agriculture			
Direct Programs			
Child Nutrition Cluster			
School Breakfast Program	10.553	\$ 85,868	\$ 84,960
National School Lunch Program	10.555	396,208	356,790
Special Milk Program for Children	10.556	2,732	2,727
Summer Food Service Program for Children	10.559	9,320	9,079
Total Child Nutrition Cluster		<u>494,128</u>	<u>453,556</u>
Child and Adult Care Food Program	10.558	116,980	115,303
State Administrative Expenses for Child Nutrition	10.560	6,815	404
Team Nutrition Grants	10.574	282	282
ARRA - Child Nutrition Discretionary Grants	10.579	3,631	3,614
Fresh Fruit and Vegetable Program	10.582	2,083	2,081
Total U.S. Department of Agriculture		<u>623,919</u>	<u>575,240</u>
U.S. Department of Education			
Direct Programs			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	555,753	548,660
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	140,806	140,806
Total Title I, Part A Cluster		<u>696,559</u>	<u>689,466</u>
Migrant Education - State Grant Program	84.011	1,344	1,326
Title I State Agency Program for Neglected and Delinquent Children	84.013	894	-
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	498,795	484,008
Special Education - Preschool Grants	84.173	16,400	15,760
ARRA - Special Education Grants to States, Recovery Act	84.391	221,043	221,010
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	7,750	7,750
Total Special Education Cluster (IDEA)		<u>743,988</u>	<u>728,528</u>
Career and Technical Education - Basic Grants to States	84.048	43,945	25,972
Migrant Education Coordination Program	84.144	79	18
Safe and Drug-Free Schools and Communities - National Programs	84.184	11	-
Safe and Drug-Free Schools and Communities - State Grants	84.186	10,237	9,937

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

(amounts expressed in thousands)

	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Awards to Subrecipients</u>
U.S. Department of Education			
Education of Homeless Children and Youth Cluster			
Education for Homeless Children and Youth	84.196	\$ 2,830	\$ 2,470
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	2,274	2,274
Total Education of Homeless Children and Youth Cluster		<u>5,104</u>	<u>4,744</u>
Even Start - State Educational Agencies	84.213	2,740	2,651
Fund For Improvement of Education	84.215	(4)	-
Tech-Prep Education	84.243	3,778	-
GOALS 2000 - State and Local Education Systemic Improvement Grants	84.276	(56)	-
Charter Schools	84.282	2,192	2,110
Twenty-First Century Community Learning Centers	84.287	43,146	41,846
Innovative Education Program Strategies	84.298	16	16
Educational Technology State Grants Cluster			
Educational Technology State Grants	84.318	10,029	9,373
ARRA - Education Technology State Grants, Recovery Act	84.386	15,461	15,461
Total Educational Technology State Grants Cluster		<u>25,490</u>	<u>24,834</u>
Special Education - State Personnel Development	84.323	2,150	2,063
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	292	292
Advanced Placement Program	84.330	1,404	1,404
Transition to Teaching	84.350	153	133
Reading First State Grants	84.357	19,845	19,046
Rural Education	84.358	826	791
English Language Acquisition Grants	84.365	25,131	23,863
Mathematics and Science Partnership	84.366	6,779	6,530
Improving Teacher Quality State Grants	84.367	105,668	104,226
Grants for Enhanced Assessment Instruments	84.368	487	487
Grants for State Assessments and Related Activities	84.369	16,575	-
Striving Readers	84.371	474	435
Statewide Data Systems	84.372	105	-
School Improvement Grants	84.377	16,521	16,421
Total U.S. Department of Education Direct Programs		<u>1,775,873</u>	<u>1,707,139</u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

(amounts expressed in thousands)

	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Awards to Subrecipients</u>
U.S. Department of Education Pass Through Programs from Illinois Office of the Governor			
State Stabilization Fund Cluster			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	\$ 601,716	\$ 601,716
ARRA-State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	<u>319,573</u>	<u>319,573</u>
Total State Stabilization Fund Cluster		<u>921,289</u>	<u>921,289</u>
Total U.S. Department of Education Pass Through Programs		<u>921,289</u>	<u>921,289</u>
Total U.S. Department of Education Direct Programs and Pass Through Programs		<u>2,697,162</u>	<u>2,628,428</u>
U.S. Department of Health and Human Services			
Direct Programs			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	<u>277</u>	<u>-</u>
Corporation for National and Community Service			
Direct Programs			
Learn and Serve America, School and Community Based Programs	94.004	<u>480</u>	<u>420</u>
Total Awards to Subrecipients			<u>\$ 3,204,088</u>
Total Expenditures of Federal Awards		<u>\$ 3,321,838</u>	

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

(amounts expressed in thousands)

	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Awards to Subrecipients</u>
U.S. Department of Agriculture			
Direct Programs			
Child Nutrition Cluster			
School Breakfast Program	10.553	\$ 72,011	\$ 71,027
National School Lunch Program	10.555	372,051	330,648
Special Milk Program for Children	10.556	3,536	3,536
Summer Food Service Program for Children	10.559	8,561	8,281
Total Child Nutrition Cluster		<u>456,159</u>	<u>413,492</u>
Child and Adult Care Food Program	10.558	114,114	112,712
State Administrative Expenses for Child Nutrition	10.560	6,501	410
Team Nutrition Grants	10.574	152	152
Fresh Fruit and Vegetable Program	10.582	681	678
Total U.S. Department of Agriculture		<u>577,607</u>	<u>527,444</u>
U.S. Department of Education			
Direct Programs			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	770,100	764,244
ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	120	120
Total Title I, Part A Cluster		<u>770,220</u>	<u>764,364</u>
Migrant Education - State Grant Program	84.011	1,682	1,666
Title I State Agency Program for Neglected and Delinquent Children	84.013	873	-
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	500,567	486,845
Special Education - Preschool Grants	84.173	17,340	16,655
ARRA-Special Education Grants to States, Recovery Act	84.391	1,528	1,361
Total Special Education Cluster (IDEA)		<u>519,435</u>	<u>504,861</u>
Career and Technical Education - Basic Grants to States	84.048	44,229	25,079
Migrant Education Coordination Program	84.144	121	73
Safe and Drug-Free Schools and Communities - State Grants	84.186	11,748	11,507
Education for Homeless Children and Youth	84.196	2,557	2,391
Even Start - State Educational Agencies	84.213	2,559	2,437
Fund For Improvement of Education	84.215	167	77
Tech-Prep Education	84.243	4,009	-

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

(amounts expressed in thousands)

	<u>Federal CEDA Number</u>	<u>Federal Expenditures</u>	<u>Awards to Subrecipients</u>
U.S. Department of Education			
Charter Schools	84.282	\$ 1,604	\$ 1,511
Twenty-First Century Community Learning Centers	84.287	38,473	36,712
Innovative Education Program Strategies	84.298	1,435	1,429
Educational Technology State Grants	84.318	12,627	12,323
Special Education Technical Assistance and Dissemination			
Special Education State Personnel Development	84.323	1,806	1,730
to Improve Services and Results for Children with Disabilities	84.326	384	384
Advanced Placement Program	84.330	752	748
Comprehensive School Reform Demonstration	84.332	(31)	-
Transition to Teaching	84.350	712	655
Reading First State Grants	84.357	44,415	43,451
Rural Education	84.358	734	711
English Language Acquisition Grants	84.365	33,839	32,579
Mathematics and Science Partnership	84.366	4,451	4,142
Improving Teacher Quality State Grants	84.367	133,295	131,655
Grants for Enhanced Assessment Instruments	84.368	776	776
Grants for State Assessments and Related Activities	84.369	16,979	-
School Improvement Grants	84.377	4,952	4,771
Hurricane Education Recovery	84.938	(4)	-
Total U.S. Department of Education Direct Programs		<u>1,654,799</u>	<u>1,586,032</u>
U.S. Department of Education			
Pass Through Programs from			
Illinois Office of the Governor			
ARRA-State Fiscal Stabilization Fund - Education State			
Grants, Recovery Act	84.394	<u>1,038,988</u>	<u>1,038,988</u>
Total U.S. Department of Education			
Direct Programs and Pass Through Programs		<u>2,693,787</u>	<u>2,625,020</u>
U.S. Department of Labor			
Youth Opportunity Grants	17.263	<u>(5)</u>	<u>-</u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

(amounts expressed in thousands)

	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Awards to Subrecipients</u>
U.S. Department of Health and Human Services			
Direct Programs			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	<u>\$ 313</u>	<u>\$ -</u>
Corporation for National and Community Service			
Direct Programs			
Learn and Serve America School and Community Based Programs	94.004	<u>874</u>	<u>808</u>
Total Awards to Subrecipients			<u><u>\$ 3,153,272</u></u>
Total Expenditures of Federal Awards		<u><u>\$ 3,272,576</u></u>	

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE TWO YEARS ENDED JUNE 30, 2010

1. GENERAL

The accompanying Schedules of Expenditures of Federal Awards present the federal award programs administered by the Illinois State Board of Education. The reporting entity for the Illinois State Board of Education is defined in Note 2 of the notes to the Agency's financial statements. The Schedule of Expenditures of Federal Awards includes the expenditure of awards received directly from federal agencies and pass through programs.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented on a cash basis. Expenditures for the Food Distribution Program which has been combined into the National School Lunch Program (CFDA #10.555) represent the value of donated commodities received from the U.S. Department of Agriculture (USDA) and made available to approved sponsors of other federally funded meal programs. The commodities were valued based on USDA price lists.

3. INDIRECT COSTS

The Agency may claim indirect cost reimbursements for all of its federal award programs. The indirect cost rate established with the U.S. Department of Education for allocating indirect costs to federal award programs is 18.6 percent of allowable costs allocated to each federal award administered by the Agency.

4. DESCRIPTION OF FEDERAL AWARD PROGRAMS

The following is a brief description of the material and other selected programs included in the Schedule of Expenditures of Federal Awards:

A. U.S. DEPARTMENT OF AGRICULTURE

The Agency accounted for the revenues and expenditures incurred in the administration of USDA awards in the S.B.E. Federal Department of Agriculture Fund (410).

STATE OF ILLINOIS
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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

FOR THE TWO YEARS ENDED JUNE 30, 2010

- **School Breakfast Program (CFDA #10.553); National School Lunch Program (CFDA #10.555); Special Milk Program for Children (CFDA #10.556); and Summer Food Services Program for Children (CFDA #10.559)**

The purpose of these programs is to provide reimbursements to approved program sponsors for a portion of the cost of providing nutritious meals to eligible children and adults and encourage the consumption of fluid milk by children enrolled in schools or half-day kindergartens where they do not have access to other federally funded meal programs.

- **National School Lunch Program (CFDA #10.555)**

The purpose of this program, which now includes the Food Distribution Program, is to make agricultural commodities available to approved sponsors of other federally funded meal programs as a supplement to cash grants.

- **Child and Adult Care Food Program (CFDA #10.558)**

The purpose of this program is to provide reimbursements to approved program sponsors for a portion of the cost of providing nutritious meals to eligible children and adults where they do not have access to other federally funded meal programs.

- **State Administrative Expenses for Child Nutrition (CFDA #10.560)**

The purpose of this program is to provide funds to State Agencies for administrative expenses incurred in supervising and providing technical support to approved sponsors of child nutrition programs.

- **Team Nutrition Grants (CFDA #10.574)**

The purpose of this program is to improve children's lifelong eating and physical activity habits by using the principles of the Dietary Guidelines for Americans and the Food Guide System.

- **ARRA – Child Nutrition Discretionary Grants (CFDA #10.579)**

The purpose of this program is to provide assistance through cash grants and food donation, in making the school lunch program available to school children and to encourage the domestic consumption of nutritious agricultural commodities.

- **Fresh Fruit and Vegetable Program (CFDA #10.582)**

The purpose of this program is to provide assistance to States, through cash grants, in providing free fresh fruits and vegetables to school children in designated participating schools.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(Continued)

FOR THE TWO YEARS ENDED JUNE 30, 2010

B. U.S. DEPARTMENT OF EDUCATION

The Agency accounted for the revenues and expenditures incurred in the administration of U.S. Department of Education awards in the S.B.E. Federal Department of Education Fund (561).

- **Title I Grants to Local Educational Agencies (CFDA #84.010)**

The purpose of this program is to help local education agencies and schools improve the teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic standards.

- **Migrant Education – State Grant Program (CFDA #84.011)**

The purpose of this program is to ensure that migratory children have the opportunity to meet the same challenging State content and performance standards that all children are expected to meet.

- **Title I State Agency Program for Neglected and Delinquent Children (CFDA #84.013)**

The purpose of this program is to provide education continuity for children and youth in State-run institutions for juveniles and in adult correctional institutions, so that these youth can make successful transitions to school or employment once they are released from State institutions.

- **Special Education - Grants to States (CFDA #84.027)**

The purpose of this program is to provide grants to States to assist them in providing a free appropriate public education to all children with disabilities.

- **Career and Technical Education - Basic Grants to States (CFDA #84.048)**

The purpose of this program is to develop more fully the academic, vocational, and technical skills of secondary and postsecondary students who elect to enroll in vocational and technical programs.

- **Migrant Education Coordination Program (CFDA #84.144)**

The purpose of this program is to encourage the interstate and intrastate coordination of migrant education including consortium arrangements in order to reduce the administrative costs of state educational agencies (SEAs) receiving Title I Migrant Education Program funds under 84.011.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

FOR THE TWO YEARS ENDED JUNE 30, 2010

- **Special Education - Preschool Grants (CFDA #84.173)**

The purpose of this program is to provide grants to States to assist them in providing a free appropriate public education to preschool disabled children aged three through five years.

- **Safe and Drug-Free Schools and Communities_National Programs (CFDA #84.184)**

The purpose of this program is to prevent the illegal use of drugs and violence and to promote safety and discipline for students at all educational levels.

- **Safe & Drug-Free Schools and Communities - State Grants (CFDA #84.186)**

The purpose of this program is to offer a disciplined environment conducive to learning, by preventing violence in and around schools; and to strengthen programs that prevent the illegal use of alcohol, tobacco, and drugs, involve parents, and coordinate with related Federal, State, and community efforts and resources.

- **Education for Homeless Children and Youth (CFDA #84.196)**

The purpose of this program is to ensure that homeless children and youth have equal access to the same free, appropriate public education as other children; to provide activities for and services to ensure that these children enroll, attend, and achieve success in school; to establish or designate an office in each State Education agency for the coordination of education for homeless children and youth; to develop and implement programs for school personnel to heighten awareness of specific problems of homeless children and youth; and to provide grants to local educational agencies.

- **Even Start - State Educational Agencies (CFDA #84.213)**

The purpose of this program is to help break the cycle of poverty and illiteracy and improve the educational opportunities of low-income families by integrating early childhood education, adult literacy or adult basic education and parenting education into a unified family literacy program.

- **Fund for Improvement of Education (CFDA #84.215)**

The purpose of this program is to conduct nationally significant programs to improve the quality of education, assist all students to meet challenging State content standards, and contribute to the achievement of elementary and secondary students.

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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

FOR THE TWO YEARS ENDED JUNE 30, 2010

- **Tech-Prep Education (CFDA #84.243)**

The purpose of this program is to distribute funds to States to enable them to provide planning and demonstration grants to consortia of local education agencies and postsecondary education agencies for the development and operation of four-year programs designed to provide a tech-prep education program leading to a two-year associate degree or a two-year certificate and to provide, in a systematic manner, strong, comprehensive links between secondary schools and postsecondary educational institutions.

- **Charter Schools (CFDA #84.282)**

The purpose of this program is to support the planning, development, and initial implementation of charter schools and the dissemination of information on charter schools.

- **Twenty-First Century Community Learning Centers (CFDA #84.287)**

The purpose of this program is to create community learning centers that provide academic enrichment opportunities for children, particularly students who attend high-poverty and low-performing schools. The program helps students meet state and local student standards in core academic subjects, such as reading and math; offers students a broad array of enrichment activities that can complement their regular academic programs; and offers literacy and other educational services to the families of participating children.

- **Innovative Education Program Strategies (CFDA #84.298)**

The purpose of this program is to assist State and local educational agencies in the reform of elementary and secondary education.

- **Educational Technology State Grants (CFDA #84.318)**

The purpose of this program is to provide grants to State educational agencies on a formula basis to (a) improve student academic achievement through the use of technology in schools; (b) assist all students in becoming technologically literate by the end of eighth grade; and (c) encourage the effective integration of technology with teacher training and curriculum development to establish successful research-based instructional methods.

- **Special Education - State Personnel Development (CFDA #84.323)**

The purpose of this program is to assist State educational agencies in reforming and improving their systems for personnel preparation and professional development of individuals providing early intervention, educational and transition services, to improve results for children with disabilities.

STATE OF ILLINOIS
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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

FOR THE TWO YEARS ENDED JUNE 30, 2010

- **Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities (CFDA #84.326)**

The purpose of this program is to promote academic achievement and improve results for children with disabilities by supporting technical assistance, supporting model demonstration projects, disseminating useful information, and implementation activities that are supported by scientifically based research.

- **Advanced Placement Program (CFDA #84.330)**

The purpose of this program is to provide award grants to States to support State and local efforts to increase access to advanced placement classes and tests for low-income students and to cover part or all of the cost of test fees for low-income students enrolled in advanced placement courses.

- **Comprehensive School Reform Demonstration (CFDA #84.332)**

The purpose of this program is to provide financial incentives for schools that need to substantially improve student achievement, particularly Title I schools, to implement comprehensive school reform programs that are based on reliable research and effective practices, and include an emphasis on basic academics and parental involvement. These programs are intended to stimulate school-wide change covering virtually all aspects of school operations, rather than a piecemeal, fragmented approach to reform. Thus, to be considered comprehensive, a program must integrate, in a coherent manner, nine specific components listed in the legislation. Through supporting comprehensive school reform, the program aims to enable all children in the schools served, particularly low-achieving children, to meet challenging State content and student performance standards.

- **Transition to Teaching (CFDA #84.350)**

The purpose of this program is to recruit and retrain highly qualified midcareer professionals (including highly qualified paraprofessionals) and recent graduates of institutions of higher education, as teachers in high-need schools, including recruiting teachers through alternative routes to teacher certification; and to encourage the development and expansion of alternative routes to certification under state-approved programs that enable individuals to be eligible for teacher certification within a reduced period of time, relying on the experience, expertise, and academic qualifications of an individual or other factors in lieu of traditional course work in the field of education.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

FOR THE TWO YEARS ENDED JUNE 30, 2010

- **Reading First State Grants (CFDA #84.357)**

The purpose of this program is to ensure that every student can read at grade level or above by the end of third grade. The Reading First program will provide assistance to States and districts in establishing reading programs for students in kindergarten through third grade that are based on scientifically based reading research. Reading First also focuses on teacher development and ensuring that all teachers, including special education teachers, have the tools they need to effectively help their students learn to read. The program provides assistance to States and districts in preparing teachers to identify specific reading barriers facing their student.

- **Rural Education (CFDA #84.358)**

The purpose of this program is to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools.

- **English Language Acquisition Grants (CFDA #84.365)**

The purpose of this program is to ensure that limited English proficient children and youth, including immigrant children and youth, attain English proficiency and meet the same challenging State academic content and student academic achievement standards as all children and youth are expected to meet; to provide assistance to Native American, Native Hawaiian, Native American Pacific Islander, and Alaska native children with certain modifications relative to the unique status of native American language under Federal Law; to develop to the extent possible, the native language skills of such children.

- **Mathematics and Science Partnership (CFDA #84.366)**

The purpose of this program is to improve the academic achievement of students in mathematics and science by encouraging states, IHEs, LEAs, and elementary and secondary schools to participate in programs that: improve and upgrade the status and stature of mathematics and science teaching by encouraging IHEs to improve mathematics and science teacher education; focus on the education of mathematics and science teachers as a career-long process; bring mathematics and science teachers together with scientists, mathematicians, and engineers to improve their teaching skills; and develop more rigorous mathematics and science curricula that are aligned with state and local academic achievement standards expected for postsecondary study in engineering, mathematics, and science.

STATE OF ILLINOIS
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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

FOR THE TWO YEARS ENDED JUNE 30, 2010

- **Improving Teacher Quality State Grants (CFDA #84.367)**

The purpose of this program is to provide grants to State educational agencies, local educational agencies, State agencies for higher education, and eligible partnerships in order to: increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools; and hold educational agencies and schools accountable for improvements in student academic achievement.

- **Grants For Enhanced Assessment Instruments (CFDA #84.368)**

The purpose of this program is to provide grants to State educational agencies on a formula basis to improve student academic achievement through the use of technology in schools, assist all students in becoming technologically literate and encourage the effective integration of technology with teacher training and curriculum development.

- **Grants for State Assessments and Related Activities (CFDA #84.369)**

The purpose of this program is to support the development of the additional State assessments and standards required by Section 1111(b) of the Elementary and Secondary Education Act, as amended; and if a State has developed the assessments and standards required by Section 1111(b), then to support the administration of those assessments or to carry out other activities related to ensuring that the State's schools and local education agencies are held accountable for results.

- **Striving Readers (CFDA #84.371)**

The purpose of this program is to raise student achievement by improving the reading skills of middle and high school students.

- **Statewide Data Systems (CFDA #84.372)**

The purpose of this program is to enable State educational agencies to design, develop, and implement statewide, longitudinal data systems.

- **School Improvement Grants (CFDA #84.377)**

The purpose of this program is to strengthen the capacity of States to carry out their program improvement responsibilities required under Sections 1116 and 1117 of Title I of the ESEA building State capacity to provide leadership in implementing effective school improvement strategies for local educational agencies and schools that have been identified for improvement, are in corrective action, and are in the restructuring process and providing resources to LEAs to support school improvement activities, including the development and implementation of effective restructuring plans.

STATE OF ILLINOIS
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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(Continued)

FOR THE TWO YEARS ENDED JUNE 30, 2010

- **ARRA – Education Technology State Grants, Recovery Act (CFDA #84.386)**

The purpose of this program is to provide grants to State educational agencies on a formula basis to improve student academic achievement through the use of technology in schools, assist all students in becoming technologically literate by the end of eighth grade, and encourage the effective integration of technology with teacher training and curriculum development to establish successful research-based instructional methods.

- **ARRA – Education for Homeless Children and Youth, Recovery Act (CFDA #84.387)**

The purpose of this program is to ensure that all homeless children and youth have equal access to the same free and appropriate public education available to other children.

- **ARRA – Title I Grants to Local Educational Agencies, Recovery Act (CFDA #84.389)**

The purpose of this program is to help local education agencies and schools improve the teaching and learning of children failing, or most at-risk of failing.

- **ARRA – Special Education Grants to States, Recovery Act (CFDA #84.391)**

The purpose of this program is to provide grants to States to assist them in providing a free appropriate public education to all children with disabilities.

- **ARRA - Special Education Preschool Grants, Recovery Act (CFDA #84.392)**

The purpose of this program is to provide grants to States to assist them in providing special education and related services to children with disabilities ages 3 through 5.

C. U. S. Department of Education/Pass Through Programs from Illinois Office of the Governor

The Agency accounted for revenues and expenditures incurred in the administration of the following programs in the General Revenue Fund (001).

- **ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (CFDA # 84.394)**

The purpose of this program is to support and restore funding for elementary, secondary, and postsecondary education and, as applicable, early childhood education programs and services in States and local education agencies.

STATE OF ILLINOIS
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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

FOR THE TWO YEARS ENDED JUNE 30, 2010

- **ARRA –State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act (CFDA #84.397)**

The purpose of this program is to support public safety and other government services, which may include assistance for elementary, secondary education and public institutions of higher education (IHEs) and for modernization, renovation or repair of public school facilities and IHE facilities.

5. Non-Cash Awards

All known non-cash awards are presented on the face of the Schedule of Expenditures of Federal Awards.

STATE OF ILLINOIS
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SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2010

Public Act 96-0035, 96-0037, 96-0039 96-0044, 96-0045, 96-0046, 96-0113 96-0890, 96-1471	Appropriations (Net of Transfers)	Expenditures through June 30, 2010	Approximate Lapse Period Expenditures (July 1 - August 31)	Approximate Total Expenditures	Balances Reappropriated July 1, 2010	Approximate Lapsed Balances
GENERAL REVENUE FUND - 001						
Personal Services	\$ 17,088,000	\$ 16,296,837	\$ 6,824	\$ 16,303,661	\$ -	\$ 784,339
Social Security	1,307,200	507,113	527	507,640	-	799,560
Interfund Cash Transfers	100,000	100,000	-	100,000	-	-
Lump Sum and Other Purposes	41,656,300	30,581,286	6,048,909	36,630,195	-	5,026,105
Awards and Grants	2,177,409,183	2,037,355,936	95,675,745	2,133,031,681	-	44,377,502
ARRA - Education Stabilization Funds	922,248,400	921,290,165	958,235	922,248,400	-	-
Total General Revenue Fund	3,159,809,083	3,006,131,337	102,690,240	3,108,821,577	-	50,987,506
EDUCATION ASSISTANCE FUND - 007						
Awards and Grants	945,859,100	945,858,933	-	945,858,933	-	167
TEACHER CERTIFICATE FEE REVOLVING FUND - 016						
Lump Sum and Other Purposes	1,600,000	737,279	40,876	778,155	-	821,845
Total Teacher Certificate Fee Revolving Fund	1,600,000	737,279	40,876	778,155	-	821,845
DRIVERS EDUCATION FUND - 031						
Personal Services	65,000	42,203	-	42,203	-	22,797
Employee Retirement Contribution Paid by the State	-	-	-	-	-	-
State Employees'/Teachers' Retirement	1,000	245	-	245	-	755
Social Security	3,000	586	-	586	-	2,414
Group Insurance	20,000	10,076	-	10,076	-	9,924
Refunds	-	-	-	-	-	-
Awards and Grants	17,929,600	17,929,572	-	17,929,572	-	28
Total Drivers Education Fund	18,018,600	17,982,682	-	17,982,682	-	35,918

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SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2010

Public Act 96-0035, 96-0037, 96-0039 96-0044, 96-0045, 96-0046, 96-0113 96-0890, 96-1471	Appropriations (Net of Transfers)	Expenditures through June 30, 2010	Approximate Lapse Period Expenditures (July 1 - August 31)	Approximate Total Expenditures	Balances Reappropriated July 1, 2010	Approximate Lapsed Balances
<i>SCHOOL DISTRICT EMERGENCY FINANCIAL ASSISTANCE FUND - 130</i>						
Awards and Grants	\$ 1,000,000	\$ 48,120	\$ -	\$ 48,120	\$ -	\$ 951,880
<i>CAPITAL DEVELOPMENT FUND - 141</i>						
Grants for Educational Purposes	25,000,000	-	-	-	-	25,000,000
<i>SCHOOL CONSTRUCTION FUND - 143</i>						
Lump Sum and Other Purposes	100,000,000	-	-	-	-	100,000,000
<i>SBE SPECIAL PURPOSE TRUST FUND - 144</i>						
Lump Sum and Other Purposes	15,500,000	3,811,892	129,152	3,941,044	-	11,558,956
<i>SBE TEACHER CERTIFICATION INSTITUTE FUND - 159</i>						
Lump Sum and Other Purposes	1,008,900	272,034	3,590	275,624	-	733,276

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SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2010

Public Act 96-0035, 96-0037, 96-0039 96-0044, 96-0045, 96-0046, 96-0113 96-0890, 96-1471	Appropriations (Net of Transfers)	Expenditures through June 30, 2010	Approximate Lapse Period Expenditures (July 1 - August 31)	Approximate Total Expenditures	Balances Reappropriated July 1, 2010	Approximate Lapsed Balances
<i>SBE FEDERAL DEPARTMENT OF AGRICULTURE</i>						
<i>FUND - 410</i>						
Personal Services	\$ 3,538,300	\$ 3,167,345	\$ 802	\$ 3,168,147	\$ -	\$ 370,153
Employee Retirement Contribution						
Paid by the State	10,500	6,826	-	6,826	-	3,674
State Employees'/Teachers' Retirement	820,000	789,238	840	790,078	-	29,922
Social Security	170,000	83,029	205	83,234	-	86,766
Group Insurance	735,000	686,508	-	686,508	-	48,492
Contractual Services	4,010,000	1,447,326	272,853	1,720,179	-	2,289,821
Travel	400,000	228,040	22,728	250,768	-	149,232
Commodities	85,000	13,136	608	13,744	-	71,256
Printing	156,300	12,857	10,385	23,242	-	133,058
Equipment	150,000	20,357	8,234	28,591	-	121,409
Telecommunications	50,000	-	-	-	-	50,000
Awards and Grants	675,000,000	563,166,485	56,826,950	619,993,435	-	55,006,565
ARRA - Awards and Grants	3,657,300	3,630,633	23,329	3,653,962	-	3,338
Total SBE Federal Department of Agriculture Fund	<u>688,782,400</u>	<u>573,251,780</u>	<u>57,166,934</u>	<u>630,418,714</u>	<u>-</u>	<u>58,363,686</u>
<i>COMMON SCHOOL FUND - 412</i>						
Awards and Grants	<u>3,216,188,083</u>	<u>3,215,932,439</u>	<u>212,071</u>	<u>3,216,144,510</u>	<u>-</u>	<u>43,573</u>

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SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2010

Public Act 96-0035, 96-0037, 96-0039 96-0044, 96-0045, 96-0046, 96-0113 96-0890, 96-1471	Appropriations (Net of Transfers)	Expenditures through June 30, 2010	Approximate Lapse Period Expenditures (July 1 - August 31)	Approximate Total Expenditures	Balances Reappropriated July 1, 2010	Approximate Lapsed Balances
<i>SBE FEDERAL AGENCY SERVICES</i>						
<i>FUND- 560</i>						
Personal Services	\$ 95,000	\$ 94,632	\$ -	\$ 94,632	\$ -	\$ 368
Employee Retirement Contribution						
Paid by the State	-	-	-	-	-	-
State Employees'/Teachers' Retirement	25,000	22,673	-	22,673	-	2,327
Social Security	5,000	1,303	-	1,303	-	3,697
Group Insurance	15,500	14,225	-	14,225	-	1,275
Contractual Services	900,000	204,320	30,000	234,320	-	665,680
Travel	30,000	6,553	333	6,886	-	23,114
Commodities	20,000	2,110	-	2,110	-	17,890
Printing	700	-	-	-	-	700
Equipment	11,000	-	-	-	-	11,000
Telecommunications	9,000	-	-	-	-	9,000
Awards and Grants	2,500,000	293,752	172,815	466,567	-	2,033,433
Total SBE Federal Agency Services Fund	3,611,200	639,568	203,148	842,716	-	2,765,484

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SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2010

Public Act 96-0035, 96-0037, 96-0039 96-0044, 96-0045, 96-0046, 96-0113 96-0890, 96-1471	Appropriations (Net of Transfers)	Expenditures through June 30, 2010	Approximate Lapse Period Expenditures (July 1 - August 31)	Approximate Total Expenditures	Balances Reappropriated July 1, 2010	Approximate Lapsed Balances
<i>SBE FEDERAL DEPARTMENT OF EDUCATION</i>						
<i>FUND - 561</i>						
Personal Services	\$ 12,517,400	\$ 10,325,477	\$ 7,763	\$ 10,333,240	\$ -	\$ 2,184,160
Employee Retirement Contribution Paid by the State	95,000	39,390	-	39,390	-	55,610
State Employees/Teachers' Retirement	3,019,500	2,535,283	426	2,535,709	-	483,791
Social Security	924,000	241,604	115	241,719	-	682,281
Group Insurance	2,958,600	2,062,711	-	2,062,711	-	895,889
Contractual Services	16,400,000	7,301,991	1,651,563	8,953,554	-	7,446,446
Travel	1,600,000	603,722	69,796	673,518	-	926,482
Commodities	305,000	22,059	681	22,740	-	282,260
Printing	341,000	61,759	500	62,259	-	278,741
Equipment	455,000	117,259	4,667	121,926	-	333,074
Telecommunications	400,000	-	-	-	-	400,000
Lump Sum and Other Purposes	23,780,300	13,744,440	867,344	14,611,784	-	9,168,516
Awards and Grants	1,783,900,000	1,255,153,205	127,628,113	1,382,781,318	-	401,118,682
ARRA - Awards and Grants	1,098,360,537	387,055,144	134,172,136	521,227,280	-	577,133,257
Total SBE Federal Department of Education Fund	2,945,056,337	1,679,264,044	264,403,104	1,943,667,148	-	1,001,389,189
<i>CHARTER SCHOOLS REVOLVING LOAN</i>						
<i>FUND - 567</i>						
Awards and Grants	20,000	18,000	-	18,000	-	2,000

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SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2010

Public Act 96-0035, 96-0037, 96-0039 96-0044, 96-0045, 96-0046, 96-0113 96-0890, 96-1471	Appropriations (Net of Transfers)	Expenditures through June 30, 2010	Approximate Lapse Period Expenditures (July 1 - August 31)	Approximate Total Expenditures	Balances Reappropriated July 1, 2010	Approximate Lapsed Balances
<i>SCHOOL INFRASTRUCTURE FUND - 568</i>						
Personal Services	\$ 95,000	\$ 87,936	\$ -	\$ 87,936	\$ -	\$ 7,064
Employee Retirement Contribution Paid by the State	-	-	-	-	-	-
State Employees/Teachers' Retirement	2,000	510	-	510	-	1,490
Social Security	3,100	1,240	-	1,240	-	1,860
Group Insurance	20,000	17,856	-	17,856	-	2,144
Total School Infrastructure Fund	120,100	107,542	-	107,542	-	12,558
<i>SCHOOL TECHNOLOGY REVOLVING LOAN PROGRAM FUND - 569</i>						
Awards and Grants	5,000,000	1,592,450	(124,650)	1,467,800	-	3,532,200
Federal Interest Liability	1,000	500	-	500	-	500
Total School Technology Revolving Loan Program Fund	5,001,000	1,592,950	(124,650)	1,468,300	-	3,532,700
<i>TEMPORARY RELOCATION EXPENSES REVOLVING GRANT FUND - 605</i>						
Awards and Grants	2,000,000	578,303	-	578,303	-	1,421,697
<i>BUILD ILLINOIS BOND FUND - 971</i>						
Construction Grants	10,000,000	-	-	-	-	10,000,000
Total All Appropriated Funds	11,138,574.803	9,446,226.903	424,724.465	9,870,951.368	-	1,267,623.435

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SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2010

Public Act 96-0035, 96-0037, 96-0039 96-0044, 96-0045, 96-0046, 96-0113 96-0890, 96-1471	Appropriations (Net of Transfers)	Expenditures through June 30, 2010	Approximate Lapse Period Expenditures (July 1 - August 31)	Approximate Total Expenditures	Balances Reappropriated July 1, 2010	Approximate Lapsed Balances
<i>NONAPPROPRIATED FUNDS</i>						
<i>SBE FEDERAL DEPARTMENT OF AGRICULTURE</i>						
<i>FUND 410</i>						
Refunds	\$ -	\$ 490,498	\$ 2,483	\$ 492,981	\$ -	\$ -
<i>SBE FEDERAL DEPARTMENT OF EDUCATION</i>						
<i>FUND - 561</i>						
Refunds	-	2,730,165	-	2,730,165	-	-
Total Nonappropriated Funds	-	3,220,663	2,483	3,223,146	-	-
Total All Funds	\$ 11,138,574,803	\$ 9,449,447,566	\$ 424,726,948	\$ 9,874,174,514	\$ -	\$ 1,267,623,435

(1) The data was taken directly from Agency records which have been reconciled to those of the State Comptroller.

(2) Expenditure amounts are vouchers approved for payment by the Agency and submitted to the State Comptroller for payment to the vendor.

(3) Approximate lapse period expenditures do not include interest payments approved for payment by the Agency and submitted to the Comptroller for payment after August.

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SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2009

Public Act 95-0734, 96-0004 96-0017, 96-0042	Appropriations (Net of Transfers)	Expenditures through June 30, 2009	Lapse Period Expenditures (July 1 - August 31)	Total Expenditures	Balances Reappropriated July 1, 2009	Lapsed Balances
GENERAL REVENUE FUND - 001						
Personal Services	\$ 15,719,766	\$ 15,676,448	\$ 10,362	\$ 15,686,810	\$ -	\$ 32,956
Employee Retirement Contribution						
Paid by the State	212,200	184,287	-	184,287	-	27,913
State Employees'/Teachers' Retirement	1,111,160	1,083,925	10,105	1,094,030	-	17,130
Social Security	586,334	482,775	528	483,303	-	103,031
Contractual Services	5,517,300	4,479,503	427,906	4,907,409	-	609,891
Travel	313,700	252,612	26,315	278,927	-	34,773
Commodities	59,100	54,191	4,607	58,798	-	302
Printing	85,200	70,055	349	70,404	-	14,796
Equipment	410,800	45,065	326,102	371,167	-	39,633
Telecommunications	468,600	269,159	56,175	325,334	-	143,266
Operation of Automotive Equipment	20,000	13,213	2,293	15,506	-	4,494
Interfund Cash Transfers	100,000	100,000	-	100,000	-	-
Lump Sum and Other Purposes	33,502,000	19,397,295	7,945,836	27,343,131	-	6,158,869
Awards and Grants	2,543,634,893	2,381,150,399	86,545,303	2,467,695,702	40,070,492	35,868,699
ARRA - Education Stabilization Funds	1,038,987,600	689,595,900	349,391,678	1,038,987,578	-	22
Total General Revenue Fund	3,640,728,653	3,112,854,827	444,747,559	3,557,602,386	40,070,492	43,055,775
EDUCATION ASSISTANCE FUND - 007						
Awards and Grants	798,602,600	794,842,850	2,344,383	797,187,233	-	1,415,367
TEACHER CERTIFICATE FEE REVOLVING FUND - 016						
Lump Sum and Other Purposes	1,600,000	1,327,031	45,811	1,372,842	-	227,158
Total Teacher Certificate Fee Revolving Fund	1,600,000	1,327,031	45,811	1,372,842	-	227,158

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SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2009

Public Act 95-0734, 96-0004 96-0017, 96-0042	Appropriations (Net of Transfers)	Expenditures through June 30, 2009	Lapse Period Expenditures (July 1 - August 31)	Total Expenditures	Balances Reappropriated July 1, 2009	Lapsed Balances
<i>DRIVERS EDUCATION FUND - 031</i>						
Personal Services	\$ 58,100	\$ 57,875	\$ -	\$ 57,875	\$ -	\$ 225
Employee Retirement Contribution Paid by the State	-	-	-	-	-	-
State Employees'/Teachers' Retirement	800	336	-	336	-	464
Social Security	1,900	806	-	806	-	1,094
Group Insurance	20,000	14,226	-	14,226	-	5,774
Refunds	-	-	-	-	-	-
Awards and Grants	17,929,600	17,929,395	-	17,929,395	-	205
Total Drivers Education Fund	18,010,400	18,002,638	-	18,002,638	-	7,762
<i>SCHOOL DISTRICT EMERGENCY FINANCIAL ASSISTANCE FUND - 130</i>						
Awards and Grants	1,000,000	-	-	-	-	1,000,000
<i>SBE SPECIAL PURPOSE TRUST FUND - 144</i>						
Lump Sum and Other Purposes	15,500,000	3,678,711	258,182	3,936,893	-	11,563,107
<i>SBE TEACHER CERTIFICATION INSTITUTE FUND - 159</i>						
Lump Sum and Other Purposes	1,008,900	301,859	10,635	312,494	-	696,406

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SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2009

Public Act 95-0734, 96-0004 96-0017, 96-0042	Appropriations (Net of Transfers)	Expenditures through June 30, 2009	Lapse Period Expenditures (July 1 - August 31)	Total Expenditures	Balances Reappropriated July 1, 2009	Lapsed Balances
<i>SBE FEDERAL DEPARTMENT OF AGRICULTURE</i>						
<i>FUND - 410</i>						
Personal Services	\$ 3,504,200	\$ 3,220,785	\$ -	\$ 3,220,785	\$ -	\$ 283,415
Employee Retirement Contribution						
Paid by the State	10,300	5,178	-	5,178	-	5,122
State Employees'/Teachers' Retirement	676,000	592,319	-	592,319	-	83,681
Social Security	97,000	83,606	-	83,606	-	13,394
Group Insurance	728,300	714,884	-	714,884	-	13,416
Contractual Services	3,243,000	1,632,516	554,350	2,186,866	-	1,056,134
Travel	375,000	246,211	32,660	278,871	-	96,129
Commodities	85,000	16,827	1,579	18,406	-	66,594
Printing	150,000	29,486	9,433	38,919	-	111,081
Equipment	157,000	64,839	63,737	128,576	-	28,424
Telecommunications	50,000	-	-	-	-	50,000
Awards and Grants	528,657,300	513,379,476	11,600,706	524,980,182	-	3,677,118
 Total SBE Federal Department of Agriculture Fund	 537,733,100	 519,986,127	 12,262,465	 532,248,592	 -	 5,484,508
<i>COMMON SCHOOL FUND - 412</i>						
Awards and Grants	3,002,578,800	3,101,268,794	(98,690,060)	3,002,578,734	-	66

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SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2009

Public Act 95-0734, 96-0004 96-0017, 96-0042	Appropriations (Net of Transfers)	Expenditures through June 30, 2009	Lapse Period Expenditures (July 1 - August 31)	Total Expenditures	Balances Reappropriated July 1, 2009	Lapsed Balances
<i>SBE FEDERAL AGENCY SERVICES</i>						
<i>FUND- 560</i>						
Personal Services	\$ 90,300	\$ 89,391	\$ -	\$ 89,391	\$ -	\$ 909
State Employees'/Teachers' Retirement	16,700	15,786	-	15,786	-	914
Social Security	1,400	1,230	-	1,230	-	170
Group Insurance	15,500	14,226	-	14,226	-	1,274
Contractual Services	897,000	143,263	30,000	173,263	-	723,737
Travel	30,000	11,472	-	11,472	-	18,528
Commodities	15,000	10,000	-	10,000	-	5,000
Printing	7,000	-	-	-	-	7,000
Equipment	11,000	-	-	-	-	11,000
Telecommunications	9,000	-	-	-	-	9,000
Awards and Grants	4,500,000	620,605	45,886	666,491	-	3,833,509
Total SBE Federal Agency Services Fund	5,592,900	905,973	75,886	981,859	-	4,611,041

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FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2009

Public Act 95-0734, 96-0004 96-0017, 96-0042	Appropriations (Net of Transfers)	Expenditures through June 30, 2009	Lapse Period Expenditures (July 1 - August 31)	Total Expenditures	Balances Reappropriated July 1, 2009	Lapsed Balances
<i>SBE FEDERAL DEPARTMENT OF EDUCATION</i>						
<i>FUND - 561</i>						
Personal Services	\$ 11,902,700	\$ 10,449,618	\$ 3,027	\$ 10,452,645	\$ -	\$ 1,450,055
Employee Retirement Contribution						
Paid by the State	89,700	41,858	-	41,858	-	47,842
State Employees'/Teachers' Retirement	2,099,200	1,912,827	447	1,913,274	-	185,926
Social Security	646,600	272,330	163	272,493	-	374,107
Group Insurance	2,773,200	1,969,343	-	1,969,343	-	803,857
Contractual Services	14,700,500	5,911,395	1,272,496	7,183,891	-	7,516,609
Travel	1,375,000	532,235	53,957	586,192	-	788,808
Commodities	305,000	17,133	3,670	20,803	-	284,197
Printing	341,000	13,021	-	13,021	-	327,979
Equipment	455,000	75,897	18,113	94,010	-	360,990
Telecommunications	400,000	-	-	-	-	400,000
Lump Sum and Other Purposes	23,780,300	11,667,335	5,666,655	17,333,990	-	6,446,310
Awards and Grants	2,171,551,500	1,349,090,654	90,567,400	1,439,658,054	-	731,893,446
Total SBE Federal Department of Education Fund	<u>2,230,419,700</u>	<u>1,381,953,646</u>	<u>97,585,928</u>	<u>1,479,539,574</u>	<u>-</u>	<u>750,880,126</u>
 <i>CHARTER SCHOOLS REVOLVING LOAN</i>						
<i>FUND - 567</i>						
Awards and Grants	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>-</u>

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SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2009

Public Act 95-0734, 96-0004 96-0017, 96-0042	Appropriations (Net of Transfers)	Expenditures through June 30, 2009	Lapse Period Expenditures (July 1 - August 31)	Total Expenditures	Balances Reappropriated July 1, 2009	Lapsed Balances
<i>SCHOOL INFRASTRUCTURE FUND - 568</i>						
Personal Services	\$ 88,900	\$ 85,072	\$ -	\$ 85,072	\$ -	\$ 3,828
State Employees'/Teachers' Retirement	1,000	493	-	493	-	507
Social Security	3,100	1,203	-	1,203	-	1,897
Group Insurance	20,000	17,112	-	17,112	-	2,888
Total School Infrastructure Fund	113,000	103,880	-	103,880	-	9,120
<i>SCHOOL TECHNOLOGY REVOLVING LOAN PROGRAM FUND - 569</i>						
Awards and Grants	5,000,000	1,912,276	-	1,912,276	-	3,087,724
<i>TEMPORARY RELOCATION EXPENSES REVOLVING GRANT FUND - 605</i>						
Awards and Grants	1,400,000	440,859	-	440,859	-	959,141
Total All Appropriated Funds	10,259,308,053	8,937,579,471	458,660,789	9,396,240,260	40,070,492	822,997,301

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SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2009

Public Act 95-0734, 96-0004 96-0017, 96-0042	Appropriations (Net of Transfers)	Expenditures through June 30, 2009	Lapse Period Expenditures (July 1 - August 31)	Total Expenditures	Balances Reappropriated July 1, 2009	Lapsed Balances
<i>NONAPPROPRIATED FUNDS</i>						
<i>SBE FEDERAL DEPARTMENT OF AGRULTURE</i>						
<i>FUND 410</i>						
Refunds	\$ -	\$ 30,135	\$ 16,389	\$ 46,524	\$ -	\$ -
<i>SBE FEDERAL DEPARTMENT OF EDUCATION</i>						
<i>FUND - 561</i>						
Refunds	-	2,485,859	-	2,485,859	-	-
Total Nonappropriated Funds	-	2,515,994	16,389	2,532,383	-	-
Total All Funds	\$ 10,259,308.053	\$ 8,940,095.465	\$ 458,677,178	\$ 9,398,772,643	\$ 40,070,492	\$ 822,997,301

(1) The data was taken directly from Agency records which have been reconciled to those of the State Comptroller.

(2) Expenditure amounts are vouchers approved for payment by the Agency and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
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**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES**

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	2010	2009	2008
GENERAL REVENUE FUND - 001			
Appropriations (Net of Transfers)	\$ 3,159,809,083	\$ 3,640,728,653	\$ 2,393,798,444
Expenditures			
Personal Services	16,303,661	15,686,810	14,783,185
Employee Retirement Contribution			
Paid by the State	-	184,287	509,177
State Employees'/Teachers' Retirement	-	1,094,030	895,538
Social Security	507,640	483,303	451,369
Contractual Services	-	4,907,409	5,129,534
Travel	-	278,927	299,949
Commodities	-	58,798	58,868
Printing	-	70,404	66,442
Equipment	-	371,167	105,930
Telecommunications	-	325,334	405,890
Operation of Automotive Equipment	-	15,506	20,991
Lump Sum and Other Purposes	36,630,195	27,343,131	18,257,060
Awards and Grants	2,133,031,681	2,467,695,702	2,273,615,299
ARRA - Education Stabilization Funds	922,248,400	1,038,987,578	-
Interfund Cash Transfers	100,000	100,000	100,000
Total Expenditures	3,108,821,577	3,557,602,386	2,314,699,232
Reappropriated to next fiscal year	-	40,070,492	40,070,492
Lapsed Balances	50,987,506	43,055,775	39,028,720
EDUCATION ASSISTANCE FUND - 007			
Appropriations (Net of Transfers)	945,859,100	798,602,600	1,613,667,941
Expenditures			
Awards and Grants	945,858,933	797,187,233	1,611,398,976
Lapsed Balances	167	1,415,367	2,268,965
TEACHER CERTIFICATE FEE REVOLVING FUND - 016			
Appropriations (Net of Transfers)	1,600,000	1,600,000	2,482,900
Expenditures			
Lump Sum and Other Purposes	778,155	1,372,842	2,035,036
Lapsed Balances	821,845	227,158	447,864

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**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES**

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<i>DRIVERS EDUCATION FUND - 031</i>			
Appropriations (Net of Transfers)	\$ 18,018,600	\$ 18,010,400	\$ 18,008,200
Expenditures			
Personal Services	42,203	57,875	53,421
Employee Retirement Contribution			
Paid by the State	-	-	2,137
State Employees'/Teachers' Retirement	245	336	322
Social Security	586	806	743
Group Insurance	10,076	14,226	14,168
Awards and Grants	17,929,572	17,929,395	17,929,390
Total Expenditures	17,982,682	18,002,638	18,000,181
Lapsed Balances	35,918	7,762	8,019
<i>SCHOOL DISTRICT EMERGENCY FINANCIAL ASSISTANCE FUND - 130</i>			
Appropriations (Net of Transfers)	1,000,000	1,000,000	1,000,000
Expenditures			
Awards and Grants	48,120	-	-
Lapsed Balances	951,880	1,000,000	1,000,000
<i>CAPITAL DEVELOPMENT FUND FUND - 141</i>			
Appropriations (Net of Transfers)	25,000,000	-	-
Expenditures			
Grants for Educational Purposes	-	-	-
Lapsed Balances	25,000,000	-	-
<i>SCHOOL CONSTRUCTION FUND FUND - 143</i>			
Appropriations (Net of Transfers)	100,000,000	-	-
Expenditures			
Lump Sum and Other Purposes	-	-	-
Lapsed Balances	100,000,000	-	-

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AND LAPSED BALANCES**

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<i>SBE SPECIAL PURPOSE TRUST FUND - 144</i>			
Appropriations (Net of Transfers)	\$ 15,500,000	\$ 15,500,000	\$ 15,500,000
Expenditures			
Lump Sum and Other Purposes	3,941,044	3,936,893	4,298,710
Lapsed Balances	11,558,956	11,563,107	11,201,290
<i>SBE TEACHER CERTIFICATION INSTITUTE FUND - 159</i>			
Appropriations (Net of Transfers)	1,008,900	1,008,900	1,008,900
Expenditures			
Lump Sum and Other Purposes	275,624	312,494	275,944
Lapsed Balances	733,276	696,406	732,956
<i>SBE FEDERAL DEPARTMENT OF AGRICULTURE FUND - 410</i>			
Appropriations (Net of Transfers)	688,782,400	537,733,100	483,548,195
Expenditures			
Personal Services	3,168,147	3,220,785	3,098,503
Employee Retirement Contribution			
Paid by the State	6,826	5,178	109,545
State Employees'/Teachers' Retirement	790,078	592,319	456,829
Social Security	83,234	83,606	82,569
Group Insurance	686,508	714,884	695,856
Contractual Services	1,720,179	2,186,866	1,540,915
Travel	250,768	278,871	278,826
Commodities	13,744	18,406	7,535
Printing	23,242	38,919	73,579
Equipment	28,591	128,576	153,048
Telecommunications	-	-	10,348
Awards and Grants	619,993,435	524,980,182	473,936,345
ARRA - Awards and Grants	3,653,962	-	-
Total Expenditures	630,418,714	532,248,592	480,443,898
Lapsed Balances	58,363,686	5,484,508	3,104,297

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**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES**

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	2010	2009	2008
COMMON SCHOOL FUND - 412			
Appropriations (Net of Transfers)	\$ 3,216,188,083	\$ 3,002,578,800	\$ 3,098,636,942
Expenditures			
Awards and Grants	3,216,144,510	3,002,578,734	3,068,775,066
Lapsed Balances	43,573	66	29,861,876
SBE FEDERAL AGENCY SERVICE FUND - 560			
Appropriations (Net of Transfers)	3,611,200	5,592,900	5,406,700
Expenditures			
Personal Services	94,632	89,391	84,515
Employee Retirement Contribution			
Paid by the State	-	-	3,381
State Employees'/Teachers' Retirement	22,673	15,786	12,033
Social Security	1,303	1,230	1,154
Group Insurance	14,225	14,226	16,793
Contractual Services	234,320	173,263	125,438
Travel	6,886	11,472	9,105
Commodities	2,110	10,000	4,725
Telecommunications	-	-	106
Awards and Grants	466,567	666,491	686,617
Total Expenditures	842,716	981,859	943,867
Lapsed Balances	2,768,484	4,611,041	4,462,833
SBE FEDERAL DEPARTMENT OF EDUCATION FUND - 561			
Appropriations (Net of Transfers)	2,945,056,337	2,230,419,700	1,676,718,600
Expenditures			
Personal Services	10,333,240	10,452,645	9,739,180
Employee Retirement Contribution			
Paid by the State	39,390	41,858	351,976
State Employees'/Teachers' Retirement	2,535,709	1,913,274	1,424,790
Social Security	241,719	272,493	266,781
Group Insurance	2,062,711	1,969,343	1,849,055
Contractual Services	8,953,554	7,183,891	7,363,647
Travel	673,518	586,192	529,270
Commodities	22,740	20,803	24,833
Printing	62,259	13,021	8,293
Equipment	121,926	94,010	115,350
Telecommunications	-	-	36,067
Lump Sum and Other Purposes	14,611,784	17,333,990	20,553,823
Awards and Grants	1,382,781,318	1,439,658,054	1,354,782,720
ARRA - Awards and Grants	521,227,280	-	-
Total Expenditures	1,943,667,148	1,479,539,574	1,397,045,785
Lapsed Balances	1,001,389,189	750,880,126	279,672,815

**STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION**

**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES**

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<i>CHARTER SCHOOLS REVOLVING LOAN FUND - 567</i>			
Appropriations (Net of Transfers)	\$ 20,000	\$ 20,000	\$ 20,000
Expenditures			
Awards and Grants	18,000	20,000	11,250
Lapsed Balances	2,000	-	8,750
<i>SCHOOL INFRASTRUCTURE FUND - 568</i>			
Appropriations (Net of Transfers)	120,100	113,000	110,900
Expenditures			
Personal Services	87,936	85,072	84,515
Employee Retirement Contribution			
Paid by the State	-	-	3,381
State Employees'/Teachers' Retirement	510	493	510
Social Security	1,240	1,203	1,194
Group Insurance	17,856	17,112	17,483
Total Expenditures	107,542	103,880	107,083
Lapsed Balances	12,558	9,120	3,817
<i>SCHOOL TECHNOLOGY REVOLVING LOAN PROGRAM FUND - 569</i>			
Appropriations (Net of Transfers)	5,001,000	5,000,000	5,000,000
Expenditures			
Awards and Grants	1,468,300	1,912,276	2,733,100
Total Expenditures	1,468,300	1,912,276	2,733,100
Lapsed Balances	3,532,700	3,087,724	2,266,900
<i>TEMPORARY RELOCATION EXPENSES REVOLVING GRANT FUND - 605</i>			
Appropriations (Net of Transfers)	2,000,000	1,400,000	1,400,000
Expenditures			
Awards and Grants	578,303	440,859	384,792
Total Expenditures	578,303	440,859	384,792
Lapsed Balances	1,421,697	959,141	1,015,208

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES**

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<i>BUILD ILLINOIS BOND FUND - 971</i>			
Appropriations (Net of Transfers)	\$ 10,000,000	\$ -	\$ -
Expenditures			
Construction Grants	-	-	-
Lapsed Balances	10,000,000	-	-
TOTAL - ALL APPROPRIATED FUNDS			
Appropriations	11,138,574,803	10,259,308,053	9,316,307,722
Expenditures	9,870,951,368	9,396,240,260	8,901,152,920
Reappropriated to next fiscal year	-	40,070,492	40,070,492
Lapsed Balances	1,267,623,435	822,997,301	375,084,310
Non-appropriated Funds			
<i>SBE FEDERAL DEPARTMENT OF AGRICULTURE FUND - 410</i>			
Expenditures			
Refunds	492,981	46,524	211,266
<i>SBE FEDERAL AGENCY SERVICES FUND - 560</i>			
Expenditures			
Refunds	-	-	3,538
<i>SBE FEDERAL DEPARTMENT OF EDUCATION FUND - 561</i>			
Expenditures			
Refunds	2,730,165	2,485,859	1,255,343
Total Nonappropriated Funds	3,223,146	2,532,383	1,470,147
Total Expenditures - All Funds	\$ 9,874,174,514	\$ 9,398,772,643	\$ 8,902,623,067

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF OPERATING EXPENDITURES BY EXPENDITURE TYPE

FOR THE YEARS ENDED JUNE 30,

Description	2010	2009	Variance Increase/ (Decrease)
Personal Services	\$ 30,029,819	\$ 29,592,578	1.48%
Employee Retirement Contribution Paid by the State	46,216	231,323	-80.02%
State Employees'/Teachers' Retirement	4,127,370	4,989,080	-17.27%
Social Security	835,722	842,641	-0.82%
Group Insurance	2,791,376	2,729,791	2.26%
Contractual Services	10,908,053	14,451,429	-24.52%
Travel	931,172	1,155,462	-19.41%
Commodities	38,594	108,007	-64.27%
Printing	85,501	122,344	-30.11%
Equipment	150,517	593,753	-74.65%
Telecommunications	-	325,334	-100.00%
Operation of Automotive Equipment	-	15,506	-100.00%
Lump Sum and Other Purposes	55,458,647	48,926,508	13.35%
Awards and Grants	8,318,318,739	8,253,068,926	0.79%
ARRA - Education Stabilization Funds	922,248,400	1,038,987,578	-11.24%
ARRA - Awards and Grants	524,881,242	-	100.00%
Interfund Cash Transfers	100,000	100,000	0.00%
Refunds	3,223,146	2,532,383	27.28%
Total Expenditures	9,874,174,514	9,398,772,643	5.06%
State Distributive Expenditures	(7,229,218,091)	(7,326,821,777)	-1.33%
Federal Distributive Expenditures	(2,003,241,320)	(1,965,304,727)	1.93%
ARRA Federal Distributive Expenditures	(524,881,242)	-	100.00%
Total Distributive Expenditures	(9,757,340,653)	(9,292,126,504)	0.60%
Total Operating Expenditures*	\$ 116,833,861	\$ 106,646,139	9.55%

*Total operating expenditures include only the amount used to carry out the Agency's administrative responsibilities.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF OPERATING EXPENDITURES BY EXPENDITURE TYPE

FOR THE YEARS ENDED JUNE 30,

Description	2009	2008	Variance Increase/ (Decrease)
Personal Services	\$ 29,592,578	\$ 28,455,279	4.00%
Employee Retirement Contribution Paid by the State	231,323	998,337	-76.83%
State Employees'/Teachers' Retirement	4,989,080	2,827,380	76.46%
Social Security	842,641	824,945	2.15%
Group Insurance	2,729,791	2,741,994	-0.45%
Contractual Services	14,451,429	14,159,534	2.06%
Travel	1,155,462	1,117,150	3.43%
Commodities	108,007	95,961	12.55%
Printing	122,344	148,314	-17.51%
Equipment	593,753	374,328	58.62%
Telecommunications	325,334	452,411	-28.09%
Operation of Automotive Equipment	15,506	20,991	-26.13%
Lump Sum and Other Purposes	48,926,508	44,582,741	9.74%
Awards and Grants	8,253,068,926	8,804,253,555	-6.26%
ARRA - Education Stabilization Funds	1,038,987,578	-	100.00%
Interfund Cash Transfers	100,000	100,000	0.00%
Refunds	2,532,383	1,470,147	72.25%
Total Expenditures	9,398,772,643	8,902,623,067	5.57%
State Distributive Expenditures	(7,326,821,777)	(6,974,942,773)	5.04%
Federal Distributive Expenditures	(1,965,304,727)	(1,829,405,682)	7.43%
Total Distributive Expenditures	(9,292,126,504)	(8,804,348,455)	12.47%
Total Operating Expenditures*	\$ 106,646,139	\$ 98,274,612	8.52%

*Total operating expenditures include only the amount used to carry out the Agency's administrative responsibilities.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
SCHEDULE OF CHANGES IN STATE PROPERTY
FOR THE YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>
Property and Equipment, Beginning of Fiscal Year	\$ 13,798,345	\$ 13,911,936
Additions:		
Purchases and other additions	681,750	1,244,821
Deletions:		
Transfers-out	320,681	107,648
Trade-ins, adjustments and other deletions	1,167,678	1,250,764
Property and Equipment, June 30	<u>\$ 12,991,736</u>	<u>\$ 13,798,345</u>
 Property and Equipment by location		
Springfield - Alzina Building, Concourse	\$ 1,576,097	\$ 1,658,894
Springfield - Alzina Building, First Floor	97,307	103,128
Springfield - Alzina Building, Second Floor	2,346,237	2,430,719
Springfield - Alzina Building, Third Floor	5,485,403	6,076,773
Springfield - Alzina Building, Fourth Floor	943,636	945,206
Lombard - Philip J. Rock Center	1,499,003	1,499,003
Chicago - James R. Thompson Center	1,044,053	1,084,622
Property and Equipment, June 30	<u>\$ 12,991,736</u>	<u>\$ 13,798,345</u>
 Accrual adjustments		
Property and Equipment accounts payable - June 30	<u>33</u>	<u>-</u>
Property and Equipment, accrual basis - June 30	<u>\$ 12,991,769</u>	<u>\$ 13,798,345</u>

Note: The data was reconciled to Agency property reports (C-15 Agency Report of State Property) submitted to the Office of the Comptroller. This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the Comptroller for financial reporting in accordance with generally accepted accounting principles.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF CASH RECEIPTS

FOR THE YEARS ENDED JUNE 30,

	2010	2009	2008
GENERAL REVENUE - 001			
Federal government indirect cost recoveries			
Federal Stimulus Package	\$ 1,015,226,173	\$ 1,038,987,579	\$ -
Private Business Schools	115,650	131,875	155,750
Miscellaneous	4,044	12,864	15,186
Prior Year Refunds/Adjustments	6,534,505	5,564,810	2,886,543
Review & Inspect School Facility (inspector fees)	200	-	-
Total General Revenue Fund	<u>1,021,880,572</u>	<u>1,044,697,128</u>	<u>3,057,479</u>
EDUCATION ASSISTANCE FUND - 007			
Prior Year Refunds/Adjustments	<u>1,008,453</u>	<u>1,027,127</u>	<u>3,608,252</u>
TEACHER CERTIFICATE FEE REVOLVING FUND - 016			
Teacher certification filing fees	1,817,867	1,721,102	1,574,432
Prior Year Refunds/Adjustments	344	121	-
Total Teacher Certificate Fee Revolving Fund	<u>1,818,211</u>	<u>1,721,223</u>	<u>1,574,432</u>
DRIVERS EDUCATION FUND - 031			
Prior Year Refunds/Adjustments	<u>5,982</u>	<u>-</u>	<u>-</u>
SCHOOL DISTRICT EMERGENCY FINANCIAL ASSISTANCE FUND - 130			
Loan Repayments - interest	16,612	18,703	25,193
Loan Repayments - principal	686,134	583,356	686,134
Total School District Emergency Financial Assistance Fund	<u>702,746</u>	<u>602,059</u>	<u>711,327</u>
SBE SPECIAL PURPOSE TRUST FUND - 144			
Federal government indirect cost recoveries			
U.S. Department of Agriculture	1,188,007	1,006,006	919,600
U.S. Department of Education	2,993,074	2,798,500	2,432,579
U.S. Department of Health and Human Services	63,928	68,586	93,050
Private Organization or Individuals	288,144	270,405	19,200
Miscellaneous	38,983	20,000	-
Prior Year Refunds/Adjustments	100	1,335	136,075
Total SBE Special Purpose Trust Fund	<u>4,572,236</u>	<u>4,164,832</u>	<u>3,600,504</u>
SBE TEACHER CERTIFICATION INSTITUTE FUND - 159			
Teacher certification filing fees	<u>271,633</u>	<u>222,416</u>	<u>340,486</u>
SBE FEDERAL DEPARTMENT OF AGRICULTURE FUND - 410			
U.S. Department of Agriculture grants	581,829,854	536,984,579	490,308,810
Other program revenue	2,819	175,779	174,063
Miscellaneous	34,673	36,682	-
Federal Stimulus Package	3,630,633	-	-
Prior Year Refunds/Adjustments	605,071	286,845	301,567
Total S.B.E. Federal Department of Agriculture Fund	<u>586,103,050</u>	<u>537,483,885</u>	<u>490,784,440</u>
COMMON SCHOOL FUND - 412			
Prior Year Refunds/Adjustments	<u>3,616</u>	<u>60,695</u>	<u>1,196,295</u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF CASH RECEIPTS

FOR THE YEARS ENDED JUNE 30,

	2010	2009	2008
SBE FEDERAL AGENCY SERVICES FUND - 560			
Corporation for National and Community Service grants	\$ 487,594	\$ 843,394	\$ 696,761
U.S. DHHS Refugee Services grants	251,816	278,000	-
U.S. DHHS Training Services grants	-	-	234,562
Prior Year Refunds/Adjustments	18,729	11,037	3,538
Total SBE Federal Agency Services Fund	<u>758,139</u>	<u>1,132,431</u>	<u>934,861</u>
SBE FEDERAL DEPARTMENT OF EDUCATION FUND - 561			
U.S. Department of Education grants	1,387,116,750	1,653,850,557	1,353,404,527
Prior Year Refunds/Adjustments	3,751,966	4,722,586	2,816,246
Federal Stimulus Package-ARRA	387,334,211	1,648,953	-
Grantee Interest Income	310,511	-	-
Federal Stimulus Package-ARRA - Grantee Interest Income	7,072	-	-
Miscellaneous	17,545	-	-
Total S.B.E. Federal Department of Education Fund	<u>1,778,538,055</u>	<u>1,660,222,096</u>	<u>1,356,220,773</u>
CHARTER SCHOOLS REVOLVING LOAN FUND - 567			
Loan Repayments - principal	<u>22,500</u>	<u>16,118</u>	<u>18,158</u>
SCHOOL INFRASTRUCTURE FUND - 568			
Prior Year Refunds/Adjustments	<u>-</u>	<u>-</u>	<u>30,345</u>
SCHOOL TECHNOLOGY REVOLVING LOAN PROGRAM FUND - 569			
Loan Repayments - interest	66,268	79,450	89,420
Loan Repayments - principal	2,251,548	2,742,717	2,738,357
Interest	-	972	697
Prior Year Refunds/Adjustments	-	-	224,252
Total School Technology Revolving Loan Program Fund	<u>2,317,816</u>	<u>2,823,139</u>	<u>3,052,726</u>
TEMPORARY RELOCATION EXPENSES REVOLVING GRANT FUND - 605			
General Revenue Fund transfers-in	100,000	100,000	100,000
Loan repayments - principal	222,364	238,495	244,159
Total Temporary Relocation Expenses Revolving Grant Fund	<u>322,364</u>	<u>338,495</u>	<u>344,159</u>
 Total Cash Receipts	 <u>\$ 3,398,325,373</u>	 <u>\$ 3,254,511,644</u>	 <u>\$ 1,865,474,237</u>

(1) This Schedule represents cash receipts per comptroller's records.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER

FOR THE YEAR ENDED JUNE 30, 2010

	General Revenue Fund (001)	Education Assistance Fund (007)	Teacher Certificate Fee Revolving Fund (016)	Drivers Education Fund (031)	School District Emergency Financial Asst Fund (130)
Cash Receipts per Agency	\$ 1,015,338,953	\$ -	\$ 1,755,043	\$ -	\$ 702,746
Adjustments:					
Cash on Hand at June 30, 2009	7,115	-	62,824	-	-
Cash on Hand at June 30, 2010	(4,962)	-	(89,006)	-	(104,428)
Prior Year Refunds/Adjustments	6,534,505	1,008,453	344	5,982	-
Totals	<u>1,021,875,611</u>	<u>1,008,453</u>	<u>1,729,205</u>	<u>5,982</u>	<u>598,318</u>
Receipts per Comptroller (SB04)	<u>1,021,875,975</u>	<u>1,048,683</u>	<u>1,729,205</u>	<u>5,982</u>	<u>598,318</u>
Agency/Comptroller variance	<u>\$ (364)</u>	<u>\$ (40,230) a</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER

FOR THE YEAR ENDED JUNE 30, 2010

	SBE Special Purpose Trust Fund (144)	SBE Teacher Certification Institute Fund (159)	SBE Federal Department of Agriculture Fund (410)	Common School Fund (412)	SBE Federal Agency Services Fund (560)
Cash Receipts per Agency	\$ 4,552,136	\$ 262,319	\$ 585,497,979	\$ -	\$ 739,410
Adjustments:					
Cash on Hand at June 30, 2009	20,000	9,314	-	-	-
Cash on Hand at June 30, 2010	-	(19,541)	(19,842)	-	-
Prior Year Refunds/Adjustments	100	-	605,071	3,616	18,729
Totals	<u>4,572,236</u>	<u>252,092</u>	<u>586,083,208</u>	<u>3,616</u>	<u>758,139</u>
Receipts per Comptroller (SB04)	<u>4,572,236</u>	<u>252,092</u>	<u>586,084,896</u>	<u>3,616</u>	<u>758,139</u>
Agency/Comptroller variance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,688)</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER

FOR THE YEAR ENDED JUNE 30, 2010

	SBE Federal Department of Education Fund (561)	Charter Schools Revolving Loan Fund (567)	School Tech. Revolving Loan Program Fund (569)	Temporary Relocation Expenses Revolving Grant Fund (605)	Total
Cash Receipts per Agency	\$ 1,774,786,089	\$ 22,500	\$ 2,317,816	\$ 322,364	\$ 3,383,979,539
Adjustments:					
Cash on Hand at June 30, 2009	-	-	-	-	99,253
Cash on Hand at June 30, 2010	(14,189)	-	-	-	(251,968)
Prior Year Refunds/Adjustments	3,751,966	-	-	-	11,928,766
Totals	<u>1,778,523,866</u>	<u>22,500</u>	<u>2,317,816</u>	<u>322,364</u>	<u>3,395,755,590</u>
Receipts per Comptroller (SB04)	<u>1,778,529,186</u>	<u>22,500</u>	<u>2,317,816</u>	<u>322,364</u>	<u>3,395,803,192</u>
Agency/Comptroller variance	<u>\$ (5,320) a</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (47,602)</u>

a Agency/Comptroller variance due to a FY09 correction posting in FY10.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER

FOR THE YEAR ENDED JUNE 30, 2009

	General Revenue Fund (001)	Education Assistance Fund (007)	Teacher Certificate Fee Revolving Fund (016)	School District Emergency Financial Asst Fund (130)	SBE Special Purpose Trust Fund (144)
Cash Receipts per Agency	\$ 1,039,129,345	\$ -	\$ 1,679,796	\$ 496,532	\$ 4,160,997
Adjustments:					
Cash on Hand at June 30, 2008	2,973	-	41,306	105,527	2,500
Cash on Hand at June 30, 2009	(7,115)	-	(62,824)	-	(20,000)
Prior Year Refunds/Adjustments	5,564,810	1,027,127	121	-	1,335
Totals	<u>1,044,690,013</u>	<u>1,027,127</u>	<u>1,658,399</u>	<u>602,059</u>	<u>4,144,832</u>
Receipts per Comptroller (SB04)	<u>1,044,690,013</u>	<u>1,024,843</u>	<u>1,658,399</u>	<u>602,059</u>	<u>4,144,832</u>
Agency/Comptroller variance	<u>\$ -</u>	<u>\$ 2,284</u> a	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER

FOR THE YEAR ENDED JUNE 30, 2009

	SBE Teacher Certification Institute Fund (159)	SBE Federal Department of Agriculture Fund (410)	Common School Fund (412)	SBE Federal Agency Services Fund (560)	SBE Federal Department of Education Fund (561)
Cash Receipts per Agency	\$ 216,617	\$537,197,040	\$ -	\$ 1,121,394	\$ 1,655,499,510
Adjustments:					
Cash on Hand at June 30, 2008	5,799	-	-	-	-
Cash on Hand at June 30, 2009	(9,314)	-	-	-	-
Prior Year Refunds/Adjustments	-	286,845	60,695	11,037	4,722,586
Totals	<u>213,102</u>	<u>537,483,885</u>	<u>60,695</u>	<u>1,132,431</u>	<u>1,660,222,096</u>
Receipts per Comptroller (SB04)	<u>213,102</u>	<u>537,482,395</u>	<u>60,695</u>	<u>1,132,431</u>	<u>1,660,224,380</u>
Agency/Comptroller variance	<u>\$ -</u>	<u>\$ 1,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,284) a</u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Charter Schools Revolving Loan Fund (567)</u>	<u>School Tech. Revolving Loan Program Fund (569)</u>	<u>Temporary Relocation Expenses Revolving Grant Fund (605)</u>	<u>Total</u>
Cash Receipts per Agency	\$ 13,079	\$ 2,810,558	\$ 338,495	\$3,242,663,363
Adjustments:				
Cash on Hand at June 30, 2008	3,039	12,581	-	173,725
Cash on Hand at June 30, 2009	-	-	-	(99,253)
Prior Year Refunds/Adjustments	-	-	-	11,674,556
Totals	<u>16,118</u>	<u>2,823,139</u>	<u>338,495</u>	<u>3,254,412,391</u>
Receipts per Comptroller (SB04)	<u>16,118</u>	<u>2,823,139</u>	<u>338,495</u>	<u>3,254,410,901</u>
Agency/Comptroller variance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,490</u>

a Agency/Comptroller variance due to a FY08 correction posting in FY09.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF DISTRIBUTIVE EXPENDITURES BY FUND

FOR THE YEARS ENDED JUNE 30,

	2010	2009	2008
General Revenue Fund			
Adler Planetarium	\$ -	\$ 200,000	\$ -
Advanced Placement Classes	808,613	1,374,897	1,457,646
Aerospace Education Initiative	-	3,919,920	920,000
After School Programs	4,500,000	500,000	-
Alternative Education/Regional Safe Schools	16,681,497	18,534,998	18,527,079
ARRA - General State Aid SFSF Education	601,717,200	1,038,987,579	-
ARRA - General State Aid SFSF General	189,058,500	-	-
ARRA - Early Childhood Block Grant SFSF General	131,472,700	-	-
Arts Training & Technical Asst	1,594,792	-	-
Autism Training & Technical Asst	100,000	100,000	100,000
Bilingual Reimbursement-Over 500,000	-	41,500,000	40,896,600
Bilingual Reimbursement-Less Than 500,000	-	34,151,998	33,655,395
Bilingual Education	68,086,798	-	-
Career & Technical Education	38,562,100	-	-
Chicago Principals & Admin Assoc	-	1,000,000	-
Childrens Mental Health Partnership	2,459,900	2,968,598	2,988,203
Children Req Special Education Service - Hold Harmless	17,141,599	-	-
Classroom Cubed	-	2,000,000	-
Class Size Reduction Pilot Project	-	7,211,177	7,644,584
District Consolidation	-	5,489,319	5,784,186
Early Childhood Block Grant	204,980,948	378,689,500	340,922,112
Educational Materials Unit	1,421,100	-	-
Education Strategic Plan	-	-	44,900
Fast Growth Schools	-	7,250,908	7,499,993
Free Lunch and Breakfast Program	26,287,299	26,299,983	20,999,992
Gifted Education	-	6,999,942	2,000,000
Grants for Local Governments, Not for Profits	-	-	1,967,828
Grants for School Transportation	-	1,200,000	1,200,000
Grow Your Own Teachers	2,798,679	3,434,724	2,994,074
Growth Model Assessments	-	2,346,645	2,208,471
Hard To Staff Schools	-	2,999,993	-
Healthy Kids/Healthy Minds/Expanded Vision	-	7,122,727	-
Illinois Breakfast Incentive	361,800	722,247	723,499
Illinois Economic Education Program	-	250,000	250,000
Illinois Governmental Student Internship	-	129,900	129,900
Jobs for Illinois Graduates Program	-	4,000,000	4,000,000
Longitudinal Data System	50,000	-	-
Materials for the Visually Impaired	-	2,121,000	2,121,000
Mentoring, After School & Student Support	-	-	4,715,492
Metro East Consortium/Student Advocacy	-	217,100	217,100
Minority Transition	-	578,000	578,000
National Board Certification	5,742,490	-	-
Orphanage & Tuition Claims	13,000,000	11,600,000	11,500,000
Parental Participation Pilot Project	-	100,000	100,000
Parent/Guardian Transportation	-	11,954,127	11,950,175

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COMPARATIVE SCHEDULE OF DISTRIBUTIVE EXPENDITURES BY FUND

FOR THE YEARS ENDED JUNE 30,

	2010	2009	2008
General Revenue Fund (continued)			
Philip J. Rock Center	\$ 3,577,800	\$ 3,577,800	\$ 3,394,500
Principal Mentoring Program	-	1,979,170	2,033,678
Reading Improvement Block	67,723,454	-	-
Recording for Blind and Dyslexic	816,600	1,218,000	1,018,000
Re-enrollment Student Program	3,600,000	4,000,000	4,000,000
Regional Superintendent Initiatives	-	500,000	500,000
Regional Superintendents Services	-	6,317,876	6,315,475
Reorganization Incentive	3,022,204	-	-
Reorganization Incentive Feasibility Study	51,000	-	-
Response to Intervention Initiative	1,282,350	1,282,096	-
ROE Mentoring Compensation	-	-	529,049
ROE & ISC Operations Reimbursement	4,773,294	-	-
School Bus Driver Training	70,000	70,000	50,000
School Safety & Educational Improvement Block Grant	18,710,026	-	-
Special Education Personnel Reimbursement	362,081,958	426,099,978	422,453,870
Special Education - Extraordinary	-	-	335,560,951
Special Education - Funding for Children Requiring Spec Ed Service	275,076,800	348,604,772	-
Special Education - Orphans & Foster Children	119,175,118	101,799,994	78,851,268
Special Education Private Facility Tuition	157,652,800	151,600,000	137,677,317
Standards, Assessment and Accountability - Learning Standard	990,000	3,342,667	3,298,515
State Charter Schools	-	3,421,500	3,421,500
Statewide Mentoring & Induction Programs	-	10,819,112	-
Summer Bridges	20,121,791	-	-
Summer School Payments	11,602,507	10,854,376	9,926,195
Supervisory Expense	102,000	102,000	102,000
Targeted Interventions	-	2,110,000	2,870,000
Tax Equivalent Grants	222,600	222,600	222,600
Teach America	225,000	450,000	450,000
Teachers Mentoring Pilot Project	-	-	2,000,000
Teachers Mentoring	-	-	6,988,107
Teachers Administrators Mentoring	7,002,571	-	-
Technology For Success	2,719,478	4,160,457	4,167,979
Technology Immersion	-	-	4,898,347
Textbook Program - Reappropriation	39,665,792	40,070,311	22,593,946
Textbook Program - Section 18-17	-	3,160,617	2,756,008
Transitional Assistance	-	19,209,923	5,000,000
Transporting Common School Pupils Reimbursement	254,402,105	329,200,069	305,859,787
Transporting Handicapped Students Reimbursement	344,794,680	383,299,996	355,717,929
Truant Alternative	17,841,810	19,944,963	20,076,058
Voc Ed Agriculture Education	3,043,100	3,379,721	2,880,891
Total General Revenue Fund	3,047,172,853	3,506,753,280	2,273,710,199

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COMPARATIVE SCHEDULE OF DISTRIBUTIVE EXPENDITURES BY FUND

FOR THE YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Education Assistance Fund			
Career & Technical Education	\$ -	\$ 38,559,426	\$ 38,541,733
Early Childhood Block Grant	-	-	4,606,941
General State Aid	602,439,300	549,095,146	1,364,521,590
General State Aid Supplemental	15,670,599	26,106,400	20,700,000
National Board Certification	-	11,485,000	10,428,960
Reading Improvement Block	-	75,364,795	75,739,702
School Safety & Educational Improvement Block Grant	-	74,841,000	74,840,998
Special Ed - Private Facility Tuition	23,447,197	-	-
Special Ed - Funding for Children Requiring Spec Ed Service	59,160,000	-	-
Special Ed - Personnel Reimbursement	91,448,210	-	-
Summer Bridges	-	21,600,466	21,884,052
Teacher of the Year - Teaching Excellence	-	135,000	135,000
Transporting Common School Pupils Reimbursement	81,090,278	-	-
Transporting Handicapped Students Reimbursement	72,603,349	-	-
	<u>945,858,933</u>	<u>797,187,233</u>	<u>1,611,398,976</u>
Common School Fund			
Advance Placement Classes	-	-	140,442
Compensation for Regional Superintendents & Assistants	9,054,414	9,100,000	8,878,827
General State Aid	3,207,090,096	2,993,478,734	3,059,755,797
	<u>3,216,144,510</u>	<u>3,002,578,734</u>	<u>3,068,775,066</u>
Other Funds			
Charter Schools Revolving Loan Fund	18,000	20,000	11,250
Drivers Education Fund	17,929,572	17,929,395	17,929,390
Federal Trust Funds	2,003,241,320	1,965,304,727	1,829,405,682
ARRA Federal Trust Funds	524,881,242	-	-
School District Emergency Financial Assistance	48,120	-	-
School Technology Revolving Loan Fund	1,467,800	1,912,276	2,733,100
Temporary Relocation Expense Revolving Fund	578,303	440,859	384,792
	<u>2,548,164,357</u>	<u>1,985,607,257</u>	<u>1,850,464,214</u>
TOTAL DISTRIBUTIVE EXPENDITURES	<u>\$ 9,757,340,653</u>	<u>\$ 9,292,126,504</u>	<u>\$8,804,348,455</u>

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

FOR THE TWO YEARS ENDED JUNE 30, 2010

The expenditures for the Agency's operating divisions are financed by appropriations from various funds. The Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances compares expenditures by appropriated line item, fund and program for the fiscal years ended June 30, 2010, 2009 and 2008. The Agency's explanations for significant fluctuations in expenditures are detailed below.

Fiscal year 2008 to 2009

General Revenue Fund - 001

Employee Retirement Contribution Paid by the State - The decrease was due to less contribution payment made by the State. In fiscal year 2008, this contribution was paid for employees who were members of Illinois Federation of State Office Educators (IFSOE) union. In fiscal year 2009, however, this contribution was not made for these employees. This is in compliance with the terms of the Collective Bargaining Agreement (CBA).

State Employees/Teachers' Retirement - The increase was due to a retirement contribution rate increase in fiscal year 2009. In fiscal year 2008, the federal retirement contribution rate for staff participating in the Teachers' Retirement System (TRS) was 13.11% and the rate for staff participating in SERS was 16.561%; in fiscal year 2009, the rates were increased to 17.08% and 21.049%, respectively.

Equipment - The increase was due primarily to the purchase of computer equipment for staff in fiscal year 2009. Fiscal year 2008 did not have such expenditures.

Lump Sums and Other Purposes - The increase was due to the rise in the level of expenditures in Student Assessment as the scope of services for the contract was expanded to include additional work in fiscal year 2009. In addition, there was a planned shift from federal funding to state funding of \$3.8 million which decreased the expenditures from fund 561 related to assessments (including No Child Left Behind compliance project) and increased the state-funded expenditures related to assessments in fund 001.

ARRA -- Education Stabilization Funds Interfund Transfers - The increase was due to the new American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Funds (SFSF) received in fiscal year 2009. Fiscal year 2008 did not have such an appropriation.

Education Assistance Fund - 007

Awards and Grants - The decrease was due to the appropriation of the American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Funds (SFSF) received for General State Aid (GSA) in fiscal year 2009. In fiscal year 2008, more of the GSA appropriation was made from fund 007.

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(Continued)

FOR THE TWO YEARS ENDED JUNE 30, 2010

Teacher Certification Fee Revolving Fund - 016

Personal Services

Employee Retirement Contribution Paid by the State

State Employees/Teachers' Retirement

Social Security

Group Insurance- The amount appropriated to the Teacher Certification Fee Revolving Fund was reduced in fiscal year 2009 and included as part of the Lump Sum and Other Purposes line item. In fiscal year 2009, ISBE paid employees from the lump sum appropriation. In fiscal year 2008, the expenditures were paid separately from each line item within this fund.

SBE Special Purpose Trust Fund – 144

Lump Sum and other purposes – The decrease was due to less federal indirect cost allocated by the agency in fiscal year 2009 as opposed to fiscal year 2008.

SBE Federal Department of Agriculture Fund - 410

Employee Retirement Contribution Paid by the State - The decrease was due to less contribution payment made by the State. In fiscal 2008, this contribution was paid for employees who were members of IFSOE union. In fiscal year 2009, however, this contribution was not made for these employees. This is in compliance with the terms of the CBA.

State Employees/Teachers' Retirement – The increase was due to a retirement contribution rate increase in fiscal year 2009. In fiscal year 2008, the federal retirement contribution rate for staff participating in the TRS was 13.11% and the rate for staff participating in SERS was 16.561%; in fiscal year 2009, the rates were increased to 17.08% and 21.049%, respectively.

Contractual Services -- The increase was generally due to the purchase of server software in fiscal year 2009 for the new Child Nutrition System. Fiscal year 2008 did not have such expenditures during the year.

Commodities – The increase was generally due to expenditures for educational materials provided to child care providers for distribution in fiscal year 2009. Fiscal year 2008 did not have such expenditures during the year.

Printing – The decrease was generally due to utilization of the webpage in fiscal year 2009. In fiscal year 2008, the Child Nutrition programs had greater printing expenses (Handbooks) due to higher purchased quantities because of lower bids received. This was not the case in fiscal year 2009.

Awards and Grants – The increase was due to higher reimbursement rates paid for each meal served and more students qualifying for free and reduced price meals in fiscal year 2009. Additionally, schools meeting certain criteria are now required to offer breakfast and summer feeding programs and there was a corresponding increase in the number of meals claimed. These conditions were not present in fiscal year 2008.

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

(Continued)

FOR THE TWO YEARS ENDED JUNE 30, 2010

Common School Fund – 412

Awards and Grants – The decrease was due to less appropriation of fund 412 General State Aid (GSA) in fiscal year 2009 as opposed to fiscal year 2008 because SFSF for General State Aid was processed out of fund 001 in fiscal year 2009.

SBE Federal Agency Service Fund - 560

Contractual Services – The increase was generally due to the contractual fees for an At Risk Youth Survey conducted in fiscal year 2009. Fiscal year 2008 did not have such expenditures during the year.

SBE Federal Department of Education Fund - 561

Employee Retirement Contribution Paid by the State - The decrease was due to less contribution payment made by the State. In fiscal year 2008, this contribution was paid for employees who were members of IFSOE. In fiscal year 2009, however, this contribution was not made for these employees. This is in compliance with the terms of the CBA.

State Employees/Teachers' Retirement –

The increase was due to a retirement contribution rate increase in fiscal year 2009. In fiscal year 2008, the federal retirement contribution rate for staff participating in the TRS was 13.11% and the rate for staff participating in SERS was 16.561%; in fiscal year 2009, the rates were increased to 17.08% and 21.049%, respectively.

Telecommunications – The decrease was generally due to the expenditure payments being made from fund 144 in fiscal year 2009 as opposed to fiscal year 2008 when payments were expensed directly to this fund.

Lump Sums – The decrease was generally due to the reduced level of expenditures in fiscal year 2009 reported in fund 561. In fiscal year 2008, there was an increase in costs of developing and administering mandated statewide student tests for federal No Child Left Behind Act (NCLB) compliance. In fiscal year 2009, there was a planned shift from federal funding to state funding of \$3.8 million which decreased the expenditures from fund 561 related to assessments (including NCLB compliance project) and increased the state-funded expenditures related to assessments in fund 001.

Awards and Grants – The increase was due to the increase of grant awards due to ARRA funding in such programs as Title I and Special Education in fiscal year 2009. Fiscal year 2008 did not have such funding and expenditures.

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(Continued)

FOR THE TWO YEARS ENDED JUNE 30, 2010

School Technology Revolving Loan Program – 569

Awards and Grants The decrease was due to the number of participants declined from seventeen (17) in fiscal year 2008 to fifteen (15) in fiscal year 2009. In addition, the number of requests for loans declined in fiscal year 2009 as opposed to fiscal year 2008.

Nonappropriated Funds

SBE Federal Department of Agriculture Fund - 410

Refunds The decrease in fiscal year 2009 was due to a decrease in unspent grant funds returned from school districts.

SBE Federal Department of Education Fund - 561

Refunds The increase in fiscal year 2009 was due to an increase in unspent grant funds returned from school districts.

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(Continued)

FOR THE TWO YEARS ENDED JUNE 30, 2010

Fiscal year 2009 to 2010

General Revenue Fund - 001

Employee Retirement Contribution Paid by the State -

State Employees/Teachers' Retirement

Contractual Services-

Travel

Commodities

Printing

Equipment

Telecommunications

Operation of Automotive Equipment

Lump Sum and Other Purposes - The decrease was due to payments made from the operational lump sum appropriation given in fiscal year 2010. The amounts appropriated to these GRF line items were eliminated in fiscal year 2010 and included as part of the Lump Sum and Other Purposes line item. In fiscal year 2009, the expenditures were paid separately from each line item within this fund.

Reappropriated to next fiscal year - The decrease was due to no reappropriations in fiscal year 2010. In fiscal year 2009, there were reappropriations for the Textbook Loan Program.

Education Assistance Fund - 007

Awards and Grants - The increase was due to the transfer of appropriation for 4th quarter Mandated Categorical Programs (Special Education and Transportation) from GRF to fund 007 in fiscal year 2010. This was as a result of Supplemental Appropriations. There were no such transfers in fiscal year 2009.

Teacher Certification Fee Revolving Fund - 016

Lump Sum and Other Purposes - The decrease was generally due to a majority of staff paid from this fund in fiscal year 2009 were paid from GRF in fiscal year 2010.

School District Emergency Financial Assistance Fund - 130

Expenditures - The increase was due to an emergency financial assistance request in fiscal year 2010. In fiscal year 2009, no district required emergency financial assistance, while in fiscal year 2010 Proviso Township High School District requested and received emergency financial assistance.

SBE Federal Department of Agriculture Fund - 410

State Employees/Teachers' Retirement - The increase was due to a retirement contribution rate increase in fiscal year 2010. In fiscal year 2009, the federal retirement contribution rate for staff participating in the TRS was 17.08% and the rate for staff participating in SERS was 21.049%; in fiscal year 2010, the rates were increased to 23.38% and 28.377%, respectively.

Contractual Services - The decrease was generally due to purchase of server software in fiscal year 2009 for new Child Nutrition System that did not occur in fiscal year 2010.

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

(Continued)

FOR THE TWO YEARS ENDED JUNE 30, 2010

Equipment – The decrease was generally due to the purchase of servers and computers in fiscal year 2009 for the new Child Nutrition System that did not occur in fiscal year 2010.

Awards and Grants – The increase was generally due to increase in Child Nutrition, Fresh Fruit & Vegetable, National School Lunch and School Breakfast program awards and grants. This caused an increase in the number of meals, snacks, milk and supplements that were provided due to the Nation's economic downturn and the increase in rates paid for each.

ARRA Awards and Grants – The increase was due to additional awards and grants expended using ARRA funding for the Child Nutrition Discretionary Grants. These were new expenditures for fiscal year 2010.

SBE Federal Agency Service Fund - 560

Contractual Services – The increase was due to the reclassification of Learn and Serve contract from Awards and Grants line item in fiscal year 2009 to Contractual Services line item in fiscal year 2010.

Awards and Grants – The decrease was generally due to reduced number of grant participants from forty-two (42) in fiscal year 2009 to twenty-three (23) in fiscal year 2010 for the Learn and Serve Program. In addition, there was the reclassification of Learn and Serve contract expenditures to Contractual Services line item.

SBE Federal Department of Education Fund - 561

State Employees/Teachers' Retirement – The increase was due to a retirement contribution rate increase in fiscal year 2010. In fiscal year 2009, the federal retirement contribution rate for staff participating in the Teachers' Retirement System (TRS) was 17.08% and the rate for staff participating in SERS was 21.049%; in fiscal year 2010, the rates were increased to 23.38% and 28.377%, respectively.

Contractual Services – The increase was generally due to expenditures relating to a new Scaling-up of Evidence Based Practices (SISEP) contract in Special Education in fiscal year 2010. Fiscal year 2009 did not have such expenditures during the year.

Printing – The increase was due to Special Education Parents Rights Handbook & McKinney Vento distribution materials being produced in fiscal year 2010. There was no such production in fiscal year 2009.

Equipment – The increase was due to the purchase of computers for Curriculum & Instructions and Special Education divisions in fiscal year 2010. Fiscal year 2009 did not have such expenditures during the year.

Awards and Grants – The decrease was due to the presence of the new ARRA funding for Title 1 as LEAs opted for the new funding in lieu of regular Title 1 Basic funding in fiscal year 2010 as opposed to fiscal year 2009.

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(Continued)

FOR THE TWO YEARS ENDED JUNE 30, 2010

ARRA Awards and Grants The increase was primarily due to the new ARRA spending for Title I ARRA, IDEA ARRA, and Title II ARRA awards and grants in fiscal year 2010 that did not occur in fiscal year 2009.

School Technology Revolving Loan Program – 569

Awards and Grants - The decrease was generally due to reduced number of grant participants from seventeen (17) in fiscal year 2009 to seven (7) in fiscal year 2010 in the revolving loan program as current participants pay off their loans and no new loans were awarded during fiscal year 2010.

Temporary Relocation Expenses Revolving Grant Fund - 605

Awards and Grants The increase was due to the expenditures used to assist Gillespie School District (Benld School) in fiscal year 2010, which had a more significant need than the Southeastern and Casey Westville School Districts which required fewer funds in fiscal year 2009.

Nonappropriated Funds

SBE Federal Department of Agriculture Fund - 410

Refunds The increase in fiscal year 2010 was due to an increase in unspent grant funds returned from school districts.

SBE Federal Department of Education Fund - 561

Refunds The increase in fiscal year 2010 was due to an increase in unspent grant funds returned from school districts.

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

FOR THE TWO YEARS ENDED JUNE 30, 2010

To analyze cash receipts, the Comparative Schedule of Cash Receipts was utilized to identify significant fluctuations in Agency cash receipts by fund and by source for the fiscal years ended June 30, 2010, 2009 and 2008. The following are explanations obtained from Agency officials for the identified fluctuations:

Fiscal year 2008 to 2009

General Revenue Fund – 001

Federal Stimulus Package – The increase in fiscal year 2009 was due to State Fiscal Stabilization Funds being authorized to the Agency under the American Recovery and Reinvestment Act of 2009 (ARRA).

Prior Year Refunds/Adjustments – The increase in fiscal year 2009 was due to returned funds in fiscal year 2009 that did not occur in fiscal year 2008, specifically for the Early Childhood Block Grant and Class Size Reduction Program.

Education Assistance Fund – 007

Prior Year Refunds/Adjustments – The decrease in fiscal year 2009 was due to returned funds from subrecipients in fiscal year 2008 that did not occur in fiscal year 2009, specifically for the Early Childhood Block Grant.

SBE Special Purpose Trust Fund – 144

Private Organization or Individuals – The increase in fiscal year 2009 was due to a check received from the Bill and Melinda Gates Foundation that did not occur in fiscal year 2008.

Prior Year Refunds/Adjustments – The decrease in fiscal year 2009 was due to returned funds in fiscal year 2008 that did not occur in fiscal year 2009, specifically from the Technology Immersion and Special Purpose programs.

SBE Teacher Certification Institute Fund - 159

Teacher certification filing fees – The decrease in fiscal year 2009 was due to the number of certificates for renewal in fiscal year 2008 being greater than the number due in fiscal year 2009.

SBE Federal Department of Agriculture Fund – 410

U.S. Department of Agriculture grants – The increase in fiscal year 2009 was due to an increase in funding for the National School Lunch Program.

Common School Fund – 412

Prior Year Refunds/Adjustments – The decrease in fiscal year 2009 was due to returned funds in fiscal year 2008 that did not occur in fiscal year 2009, specifically from the Illinois Art Council program.

SBE Federal Agency Services Fund – 560

Corporation for National and Community Service grants – The increase in fiscal year 2009 was due to an increase in grant funds expended during the year as opposed to fiscal year 2008.

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

(Continued)

FOR THE TWO YEARS ENDED JUNE 30, 2010

SBE Federal Department of Education Fund – 561

U.S. Department of Education grants – The increase in fiscal year 2009 was due to an increase in funding for Title I, IDEA and Improving Teacher Quality programs.

Federal Stimulus Package – The increase in fiscal year 2009 was due to State Fiscal Stabilization Funds being authorized to the Agency under ARRA of 2009.

Prior Year Refunds/Adjustments – The increase in fiscal year 2009 was due to more unused funds from fiscal year 2008 returned to the agency, specifically in the Title I Low Income School Grant and the Assessment Development Grant than in fiscal year 2008.

School Technology Revolving Loan Program Fund – 569

Prior Year Refunds/Adjustments – The decrease in fiscal year 2009 was due to returned funds from subrecipients in fiscal year 2008 that did not occur in fiscal year 2009.

Fiscal year 2009 to 2010

General Revenue Fund – 001

Prior Year Refunds/Adjustments – The increase in fiscal year 2010 was due to returned funds in fiscal year 2010 that did not occur in fiscal year 2009 for Early Childhood Block Grant.

School District Emergency Financial Assistance Fund – 130

Loan Repayments - principal – The increase in fiscal year 2010 was due to a school district (Cairo) making short term principal payments prior to the fiscal year 2010 due date.

SBE Federal Department of Agriculture Fund – 410

US Department of Agriculture – The increase in fiscal year 2010 was due to the increase in the federal rates of reimbursement and the addition of more participants into the program.

Other Program Revenue (Federal) – The decrease in fiscal year 2010 was due to a large refund in fiscal 2009 from the Food Distribution program that did not occur in fiscal year 2010.

Federal Stimulus Package – The increase in fiscal year 2010 was due to available Stimulus funds being authorized to the Agency under ARRA of 2009.

Prior Year Refunds/Adjustments – The increase in fiscal year 2010 was due to more returned funds in fiscal year 2010 for the National School Lunch Program and the Child and Adult Care Food Program than in fiscal year 2009.

SBE Federal Agency Services Fund – 560

Corporation for National and Community Service grants – The decrease in fiscal year 2010 receipts was due to a decrease in grant funds expended during the year as opposed to fiscal year 2009.

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
(Continued)

FOR THE TWO YEARS ENDED JUNE 30, 2010

SBE Federal Department of Education Fund – 561

U.S. Department of Education grants - The decrease in fiscal year 2010 was due to an increase in funding from the Federal Stimulus package for Title I as LEAs opted for ARRA funding in lieu of regular Title I funding. In addition, there was a decrease in Reading First program receipts as fiscal year 2009 was the final year before closure of the grant.

Federal Stimulus Package - The increase in fiscal year 2010 was due to an increase in funds authorized to the Agency under ARRA of 2009.

Grantee Interest Income - The increase in fiscal year 2010 was due to funds being directed to ISBE prior to being returned to USDOE. In previous years, the funds were directed to USDOE initially.

Prior Year Refunds/Adjustments - The decrease in fiscal year 2010 was due to returned funds in fiscal year 2009 that did not occur in fiscal year 2010, specifically in the Title I Low Income School Grant and the Assessment Development Grant.

School Technology Revolving Loan Program Fund – 569

Loan Repayments - principal - The decrease in fiscal year 2010 receipts was due to less June payments received unlike in previous years. In addition, there were fewer loans made in previous years resulting in fewer repayments in fiscal year 2010.

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

FOR THE TWO YEARS ENDED JUNE 30, 2010

Fiscal year 2009

General Revenue Fund – 001

Equipment – The significant lapse period expenditures were for the purchase of computer equipment ordered prior to June 30, but billed to the agency during lapse period.

Lump Sums and Other Purposes – The significant lapse period expenditures were for the payment of Student Assessment contracts for which the work was performed prior to June 30, but billed to the agency during lapse period.

ARRA – Education Stabilization Funds – The significant lapse period expenditures were a result of voucher corrections processed during the lapse period for the correction of the June General State Aid payments to comport with the fiscal year 2009 Supplemental Appropriation enacted on July 15, 2009.

SBE Federal Department of Agriculture Fund - 410

Contractual Services – The significant lapse period expenditures were a result of the fund 410 share of the A-133 audit costs and installment purchase payment for goods and services received prior to June 30, but paid during lapse period.

Printing – The significant lapse period expenditures were a result of a School-Based Child Nutrition Programs Administrative Handbook that was received prior to June 30, but billed to the agency during lapse period.

Equipment – The significant lapse period expenditures were due to the purchase of computer equipment ordered prior to June 30, but billed to the agency during lapse period.

SBE Department of Education Fund – 561

Lump sum and Other Purposes – The significant lapse period expenditures were for the payment of Student Assessment contracts for which the work was performed prior to June 30, but billed to the agency during lapse period.

Charter School Revolving Loan Fund – 567

Awards and Grants – The significant lapse period expenditures were for the payment of a Legacy Academy of Excellence Charter School loan approved prior to June 30 and paid in lapse period.

Non-Appropriated Refunds

SBE Federal Department of Agriculture Fund - 410

Refunds – The significant lapse period expenditures were a result of unused fiscal year 2007 grant funds returned to the US Department of Agriculture in fiscal year 2009.

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT LAPSED PERIOD SPENDING

(Continued)

FOR THE TWO YEARS ENDED JUNE 30, 2010

Fiscal year 2010

General Revenue Fund – 001

Awards and Grants - The significant lapse period expenditures were a result of the distribution of a supplemental appropriation received in July 2010 for Hold Harmless payments for funding for children requiring special education services as well as reimbursements relating to the Orphanage and Bilingual Education services provided to school districts for which work was performed prior to June 30.

SBE Federal Department of Agriculture Fund - 410

Printing - The significant lapse period expenditures were a result of a School-Based Child Nutrition Programs Administrative Handbook that was received prior to June 30, but billed to the agency during lapse period.

Equipment - The significant lapse period expenditures were due to the purchase of a printer that was ordered and received prior to June 30, but billed to the agency during lapse period.

Awards and Grants - The significant lapse period expenditures were for the payment of goods and services provided for the Child Care Food and National School Lunch Programs that were incurred prior to June 30.

SBE Federal Agency Services Fund - 560

Awards and Grants - The significant lapse period expenditures were a result of distributions to the Learn and Serve Grant program for grant activities incurred prior to June 30.

SBE Department of Education Fund – 561

ARRA Awards & Grants - The significant lapse period expenditures were a result of distributions to the sub-grantees (mostly LEAs) for grant activities incurred prior to June 30.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES

FOR THE TWO YEARS ENDED JUNE 30, 2010

The following explanations were obtained from Agency officials for the identified accounts:

FISCAL YEAR 2009

Major Fund/General Fund

Unexpended appropriation – This balance represents the amount of lapse period warrants issued plus a decrease in liabilities for reappropriated accounts (textbook program) in the current year.

Due to other government – local – This balance represents liabilities of the Agency at June 30 to local education agencies for mandated categorical programs, paid from the succeeding year appropriation.

Nonmajor Funds/Special Revenue Funds

Cash and cash equivalents – This balance represents cash balances in the Agency's special revenue funds derived mainly from loan repayments for fund 130 and indirect cost recoveries for fund 144 in the current year.

Due from other governments – federal – This balance represents amounts due primarily from the U.S. Department of Agriculture and the U.S. Department of Education for reimbursement of grant payments due to local education agencies at June 30.

Loans receivable - This balance represents amounts due primarily to the Agency from school districts that have borrowed funds under the Agency's emergency financial assistance or technology programs.

Accounts payable and accrued liabilities – This balance represents liabilities of the Agency at June 30, primarily for professional and artistic services, where final payments were completed after June 30.

Due to other governments – federal - This balance represents funds due to the federal government for grant funds returned from expired grants.

Due to other governments – local – This balance represents grant payments due to local education agencies at June 30, primarily from fund 410, 561 and 031 based upon approved payment schedules.

Deferred revenue – This balance represents grant revenues received for obligations not realized in the current fiscal year, primarily in the SBE Federal Department of Agriculture Fund and the SBE Federal Department of Education Fund.

Long-Term Portion Loans Receivable - This balance represents a reservation of fund balance for loans receivable primarily for the School District Emergency Financial Assistance and the School Technology Revolving Loan programs and do not represent available spendable resources.

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ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE TWO YEARS ENDED JUNE 30, 2010

ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES
(Continued)

FISCAL YEAR 2010

Major Fund/General Fund

Due to other government - local - This balance represents liabilities of the Agency at June 30 to local education agencies for mandated categorical programs, to be paid from the subsequent year appropriation.

Fund Balance, Unreserved: Undesignated - This deficit is primarily represented by liabilities of the Agency at June 30 to local education agencies for mandated categorical programs, which are to be paid from the subsequent year appropriation.

Nonmajor Funds/Special Revenue Funds

Due from other governments - federal - This balance represents amounts due primarily from the U.S. Department of Agriculture and the U.S. Department of Education for reimbursement of grant payments due to local education agencies at June 30.

Loans receivable - This balance represents amounts due primarily to the Agency from school districts that have borrowed funds under the Agency's emergency financial assistance or technology programs.

Accounts payable and accrued liabilities - This balance represents liabilities of the Agency at June 30, primarily for professional and artistic services, where final payments were completed after June 30.

Due to other governments - local - This balance represents grant payments due to local education agencies at June 30, primarily from fund 410, 561 and 031 based upon approved payment schedules.

Fund Balance, Unreserved: Undesignated - This deficit is primarily represented by liabilities of the Agency at June 30 for programs covered under the Drivers Education fund, which are to be paid from the subsequent year appropriation.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF ACCOUNTS RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2010

Receivables of the Illinois State Board of Education consist mainly of reimbursement or formula allocation amounts due to the Agency arising from its administration of Federal and State grant awards. The principal grantors are agencies of the federal government, other State agencies, or local school districts; therefore, the Agency's receivables are considered fully collectible.

The following is a schedule of receivable balances (expressed in thousands) at June 30, 2010.

	<u>2010</u>	<u>2009</u>
Due from other government - federal	\$ 324,039	\$ 111,931
Due from other governments - local	1,785	1,219
Other receivables	2,485	1,225
Due from other State funds	1,636	1,317
Due from component units of the State	<u>535</u>	<u>724</u>
Total receivables	<u>\$ 330,480</u>	<u>\$ 116,416</u>

Aging of other receivables:	<u>2010</u>	<u>2009</u>
Receivables - current	\$ 970	\$ 493
1 - 30 days past due	2	41
31 - 90 days past due	143	255
91 - 180 days past due	430	17
181 - 365 days past due	472	76
Over 365 days past due	<u>468</u>	<u>343</u>
Total other receivables	<u>\$ 2,485</u>	<u>\$ 1,225</u>

Other receivables consists mainly of unexpended funds from school districts, refunds requested from subrecipients, reimbursements due to commodity losses and forgivable student teacher loans.

Receivable amounts are recorded at year-end through the annual process of adjusting the financial statements to generally accepted accounting principles (GAAP) for reporting purposes. The Agency implemented the collection procedures listed in SAMS procedures 26.40.10, as well as, makes frequent collection attempts via letter, telephone calls and the Comptroller offset system.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

SCHEDULE OF INDIRECT COST REIMBURSEMENTS

FOR THE YEARS ENDED JUNE 30,

(Unaudited)

Indirect cost reimbursements are primarily Letter of Credit draw downs of federal funds which are deposited directly into the General Revenue Fund, SBE Special Purpose Trust Fund, and the SBE Federal Agency Services, Department of Agriculture and Department of Education Funds in the State treasury. Indirect costs are based on a fixed rate which is negotiated annually with the cognizant federal agency, the U.S. Department of Education. Following are reimbursements deposited during fiscal years 2010 and 2009.

Federal Programs/Grants	2010	2009
Child Nutrition Grants	\$ 1,188,007	\$ 1,006,006
Education for the Homeless Children and Youth	24,052	19,646
Even Start - State Educational Agencies	13,617	19,926
Math/Science Partnership	34,822	40,985
Migrant Education - Basic State Grant Programs	2,790	2,396
Safe and Drug Free Schools and Communities - State Grants	47,311	38,824
Special Education - Grants to States	1,126,913	1,187,929
Special Education - Preschool Grants	90,181	88,121
Title I Grants to Local Education Agencies	954,806	816,418
Title I School Improvement	15,214	24,160
Vocational Education - Basic Grants to States	82,911	50,458
Technology Literacy Challenge Program	80,510	40,371
Charter Schools	4,828	12,428
Reading First State Grants	69,903	67,558
Rural Education	4,284	1,308
Title II - Teaching	89,766	118,780
Title III - English Language	203,763	104,053
Title IV - 21st Century	109,227	127,599
Transition To Teaching	352	3,281
Special Education - State Personnel Development	16,689	8,815
Title I Program for Neglected & Delinquent Children	1,059	-
Tech Prep Program	20,076	21,576
Grants to Improve the Mental Health of Children	-	3,868
Training School Health Personnel	25,179	35,081
Learn and Serve America	38,749	33,505
Total Indirect Cost Reimbursements	\$ 4,245,009	\$ 3,873,092

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

AGENCY FUNCTIONS AND PLANNING PROGRAM

FOR THE TWO YEARS ENDED JUNE 30, 2010

The Illinois State Board of Education consists of a nine member lay citizen governing board and an administrative agency which is responsible to that Board. Members of the governing board are appointed by the Governor, with the advice and consent of the Senate. The appointments are based on statutory requirements designed to assure representation throughout the State and a balance of political affiliations. In September 2004, the legislation re-aligned the terms of seven of the nine board members and authorized the Governor to make seven new appointments to the State Board of Education.

The Board is responsible for matters related to public schools and selected private schools, serving students from pre-school through secondary school and vocational education. In support of these responsibilities, the Board is required to analyze the present and future aims, needs and requirements of education in the State. The specific powers and duties of the State Board of Education are described in Article 1A of the School Code (105 ILCS 5/1A et seq.).

The Governor, with the advice and consent of the Senate, appoints the Chair of the State Board of Education. The current chair is Jesse H. Ruiz.

The Board appoints the State Superintendent of Education. The current State Superintendent of Education, Dr. Christopher Koch, was appointed to the position on May 1, 2007.

The Board mailing address is:

Illinois State Board Education
100 North First Street
Springfield, Illinois 62777-0001

Planning Program

The work of the State Board of Education is directed toward the vision, mission, and goals of Illinois education:

Vision for Illinois Education

The Illinois public school will enable all students to succeed in post-secondary education and career opportunities, to be effective life-long learners, and to participate actively in our democracy.

The actions of the Board are guided by its mission statement and three goals and several objectives which were revised in August 2008. The Board decided that the strategic plan should be revisited frequently to evolve with the changing needs and demands of the agency and education in general. The new mission statement is as follows:

State Board of Education Mission

The Illinois State Board of Education will provide leadership, assistance, resources and advocacy so that every student is prepared to succeed in careers and postsecondary education, and share accountability for doing so with districts and schools.

This mission statement was accompanied by three broad yet clearer goals that better reflect the priorities of the agency. The goals and objectives are intended to assist the Agency in reaching the ultimate learning outcome for every student in Illinois. The Board ensures that the goals and objectives are met through monitoring the performance strategies. The Board provides assistance to school districts in meeting the goals and related objectives listed below:

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

AGENCY FUNCTIONS AND PLANNING PROGRAM
(Continued)

FOR THE TWO YEARS ENDED JUNE 30, 2010

- A. Every student will demonstrate academic achievement and be prepared for success after high school.
1. Work with staff to continue the revision of the Illinois Learning Standards, as well as work in partnership with 46 states and 3 U.S. territories on the Common Core State Standards Initiative to develop an international benchmark for student learning.
 2. Work to continue on the development of a longitudinal data system and policies, programs and practices that promote achievement in Illinois schools and eliminate achievement gaps.
 3. Work to strengthen the Statewide System of Support for all schools and districts.
 4. Promote and identify strategies and policies that target interventions on the lowest performing schools, especially concentrating on high schools where achievement remains stagnant.
- B. Every student will be supported by highly prepared and effective teachers and school leaders.
1. Work with stakeholders to develop and implement policies that support quality standards for teacher and school leader mentoring programs.
 2. Work to improve teacher quality through better preparation and clarifying the frameworks for recertification.
 3. Work closely with colleagues in Higher Education to improve teacher preparation programs.
 4. Work with stakeholders to develop and begin implementation of policies and procedures that support improved preparation programs that focus on instruction and student learning.
 5. Initiate efforts to evaluate and redesign the existing certification framework and expectations for certificate renewal.
- C. Every school will offer a safe and healthy learning environment for all students.
1. Work to develop and implement policies, programs and practices that promote healthy lifestyles for students and reduce barriers to learning.
 2. Build upon existing policies and programs with stakeholders to eliminate dangerous situations in schools and communities.
 3. Maintain open communications with communities, students and stakeholders.
 4. Investigate and prosecute cases of educator misconduct.
 5. Refine existing policies and establish and implement processes that will allow for swift and appropriate action to be taken when evidence of misconduct can be substantiated.

Following is a summary of State Board activities designed during the audit period to achieve the above goals:

- Through a cooperative agreement with the U.S. Department of Education, ISBE is developing an Illinois Statewide Longitudinal P-20 Data System (ILDS), to manage, link and analyze P-20 education data.
- ISBE, along with other educational boards throughout Illinois, developed the Illinois Public Act 96-0107 to implement systems and practices necessary to build the longitudinal data system.
- An advisory board was established for the ILDS, known as the ILDS Data Advisory Committee (DAC).

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ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

AGENCY FUNCTIONS AND PLANNING PROGRAM
(Continued)

FOR THE TWO YEARS ENDED JUNE 30, 2010

- The Common Core State Standards Initiative was introduced to ensure career and college readiness is embraced and understood at various levels so that every student has the support to complete high school and/or be college ready.
- ISBE is working with Career/Technical Education (CTE) to revitalize CTE curriculum to meet core academic requirements.
- The Illinois P-20 Council established a Family, Youth and Community Engagement Committee in support of the Dropout Prevention Initiative.
- The Illinois Dropout Prevention Summit was held in November 2009 with approximately 400 participants.
- A statewide evaluation of the effectiveness of state-funded early childhood programs that was launched in fiscal year 2008 was continued. The project will end fiscal year 2011.
- A study of kindergarten readiness has been initiated by the State Superintendent. A report regarding the findings of this study will be prepared in late fall of 2010.
- ISBE staff members continue to provide technical assistance to Illinois schools and districts in their transition to a system of Response to Intervention (RtI).
- The Illinois Virtual School (IVS) was unveiled in August 2009 to increase flexibility for schools and districts in locating and developing online course options for students.
- Rules regarding state required tests for teachers were changed to require higher scores, increased requirements for secondary endorsements and limit the number of times an individual can take a state required test.
- ISBE has been working collaboratively with IBHE and other stakeholders to redefine principal preparation with an increased focus on instruction.
- ISBE worked with stakeholders to enact the Performance Evaluation Reform Act (PERA), which is the cornerstone of teacher and principal reform.
- ISBE is working with High Schools That Work Consortium and Project Lead the Way to improve student performance in Illinois high schools.
- State Board adopted as one of its legislative proposals SB 2071, which was signed into law August 13, 2009 and Public Act 96-431, in response to educator misconduct.
- ISBE sponsors several free training sessions for the Multi-Hazard Emergency Planning for Schools throughout the State. New course offerings include Student Behavioral Threat Assessment and Understanding and Responding to School Bomb Incidents.
- ISBE is promoting healthy eating habits for students throughout Illinois by administering several programs, including the National School Lunch and Illinois Free Breakfast Programs.
- 141 Illinois Schools participate in the Fresh Fruit and Vegetable Program which is funded by the U.S. Department of Agriculture (USDA).

The Agency has established formal, written long-term objectives and short-term objectives and strategies along with time frames for achieving objectives. Key measurement criteria have been developed to assess progress toward objectives and accomplishments.

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

AGENCY FUNCTIONS AND PLANNING PROGRAM
(Continued)

FOR THE TWO YEARS ENDED JUNE 30, 2010

In February 2009, the American Recovery and Reinvestment Act of 2009 (ARRA) provided additional funding to States for education purposes, among other things. The Agency received approximately \$2.4 billion to aid in achieving its goals as listed above. All funds were passed through to school districts and LEAs.

The funds were used to increase the number of participants affected by the economic downturn in the various food programs administered by the Agency, increasing funding for education of homeless children and youths, Title I Grants to LEAs, education technology, and special education grants. There was also funding provided to help support and restore funding for all education levels, early childhood education programs and services in the State and LEAs as well as assistance for the modernization, renovation or repair of public school facilities.

Student Information System

The Agency developed and maintains several electronic systems to support Agency operations, including the Student Information System (SIS). SIS was initially developed to enable the Agency to:

- Increase the State's capacity to track a student's progress over time, allowing for longitudinal studies and improved policy decisions;
- Reduce the data collection burden on school districts and schools;
- Improve the quality of information gathered; and
- Enhance the use and relevance of state data by local school districts to meet the Agency's federal and state accountability and reporting requirements, particularly the *No Child Left Behind Act of 2001*.

The Agency originally contracted with a vendor for \$5.75 million for SIS development in Fiscal Years 2004 through 2007. Since initiation of the original contract, personnel stated changes in federal guidelines and state laws have necessitated additional system requirements to comply with the changing environment. As a result, the Agency entered into five contract amendments totaling \$13.5 million and extending the contract for an additional six years. These amendments were executed between August 2006 and December 2009.

The current SIS amended contract will expire in 2013, at which time the Agency plans to seek competitive bids for support, maintenance, documentation, helpdesk, training, and any required new development to support new state and federal initiatives.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

AVERAGE NUMBER OF EMPLOYEES AND
AVERAGE SALARY PER EMPLOYEE

FOR THE TWO YEARS ENDED JUNE 30, 2010

(Unaudited)

Average number of employees by division is presented as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
NUMBER OF EMPLOYEES AT JUNE 30			
State Operating and Trust Funds	287	304	293
Federal Trust Funds	201	184	189
Total Agency employees at June 30	<u>488</u>	<u>488</u>	<u>482</u>
AVERAGE NUMBER OF EMPLOYEES			
State Operating and Trust Funds	296	298	297
Federal Trust Funds	195	193	188
Total average number of employees	<u>491</u>	<u>491</u>	<u>485</u>
Total personal service expenditures	<u>\$ 33,149,831</u>	<u>\$ 33,799,863</u>	<u>\$ 32,098,915</u>
Average salary per employee	<u>\$ 67,607</u>	<u>\$ 68,857</u>	<u>\$ 66,183</u>

Note: The above does not include the superintendents and assistant superintendents of the regional offices of education.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANNUAL STATISTICS -- SUMMARY OF DEMOGRAPHIC DATA

FOR THE YEAR ENDED JUNE 30, 2010

(Unaudited)

Number of Public School Districts, 2008-2009

	<u>Operating</u>	<u>Nonoperating</u>	<u>Other</u>	<u>Total</u>
Elementary (Pre K-8)	378	0	0	378
Secondary (9-12)	100	1	0	101
Unit	390	0	0	390
Dept. of Corrections	1	0	0	1
Total	<u>869</u>	<u>1</u>	<u>0</u>	<u>870</u>

Number of Public and Nonpublic Attendance Centers, 2008-2009

	<u>Public (1)</u>	<u>Nonpublic (2)</u>	<u>Total</u>
Elementary	2,623	854	3,477
Junior High	613	N/A	613
High School	679	122	801
Unit	N/A	124	124
Special Education and Others	411	35	446
Total	<u>4,326</u>	<u>1,135</u>	<u>5,461</u>

(1) Includes Department of Corrections

(2) Voluntarily reported and registered with ISBE.

School Enrollment, 2008-2009

	<u>Public</u>	<u>Nonpublic (3)</u>	<u>Total</u>	<u>Percent</u>
Elementary (Pre K-8)	1,476,688	190,242	1,666,930	70.6%
Secondary (9-12)	635,444	59,131	694,575	29.4%
Total	<u>2,112,132</u>	<u>249,373</u>	<u>2,361,505</u>	<u>100.0%</u>
Percent	<u>89.4%</u>	<u>10.6%</u>		

(3) Nonpublic schools reported data on a voluntary basis; does not include ungraded students.

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANNUAL STATISTICS – SUMMARY OF DEMOGRAPHIC DATA
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

(Unaudited)

Racial – Ethnic Distribution of Statewide Public School Enrollment, 2008-2009

	<u>Students</u>	<u>Percent</u>
White Non-Hispanic	1,117,935	52.9%
Black Non-Hispanic	410,641	19.4%
Hispanic	439,454	20.8%
Asian-Pacific Islander	86,303	4.1%
American Indian-Alaskan	3,760	0.2%
Multi Racial	54,039	2.6%
Total	<u>2,112,132</u>	<u>100.0%</u>
Total percent of minority students		<u>47.1%</u>

Public School Bilingual Education Enrollment, 2008-2009

	<u>Chicago</u>	<u>Downstate</u>	<u>Total</u>	<u>Percent</u>
Spanish	61,526	105,685	167,211	80.1%
Polish	1,856	5,262	7,118	3.4%
Arabic	1,184	2,935	4,119	2.0%
Urdu	885	1,917	2,802	1.3%
Pilipino (Tagalog)	591	1,704	2,295	1.1%
Korean	124	1,999	2,123	1.0%
Gujarati	206	1,616	1,822	0.9%
Cantonese (Chinese)	1,221	423	1,644	0.8%
Vietnamese	574	880	1,454	0.7%
Russian	103	1,307	1,410	0.7%
Mandarin (Chinese)	198	835	1,033	0.5%
Japanese	21	731	752	0.4%
French	237	474	711	0.3%
Assyrian (Syriac, Aramaic)	222	452	674	0.3%
Lithuanian	30	635	665	0.3%
Hindi	92	563	655	0.3%
Ukrainian	208	372	580	0.3%
Bulgarian	106	467	573	0.3%

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANNUAL STATISTICS – SUMMARY OF DEMOGRAPHIC DATA
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

(Unaudited)

Public School Bilingual Education Enrollment, 2008-2009 (Continued)

	<u>Chicago</u>	<u>Downstate</u>	<u>Total</u>	<u>Percent</u>
Others (Unidentified)	1,197	967	2,164	1.0%
Others (Identified)	2,408	6,573	8,981	4.3%
 Total	<u>72989</u>	<u>135,797</u>	<u>208,786</u>	<u>100%</u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANNUAL STATISTICS – SUMMARY OF DEMOGRAPHIC DATA
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

(Unaudited)

Twelfth Grade Graduates, 2008-2009

	<u>Public</u>	<u>Nonpublic</u>	<u>Total</u>
Male	64,883	8,078	72,961
Female	67,240	7,892	75,132
Total	<u>132,123</u>	<u>15,970</u>	<u>148,093</u>

Public Secondary School Dropouts by Gender and Ethnicity, 2008-2009

	<u>Female</u>	<u>Male</u>	<u>Total</u>
White Non-Hispanic	2,786	4,026	6,812
Black Non-Hispanic	4,205	5,503	9,708
Hispanic	2,205	2,984	5,189
Asian-Pacific Islander	114	165	279
American Indian-Alaskan	19	27	46
Multiracial	106	141	247
Total	<u>9,435</u>	<u>12,846</u>	<u>22,281</u>

Median/Mean Salaries for Selected Full-Time Personnel, 2008-2009

	<u>Median</u>	<u>Mean</u>
Regional Superintendents	\$ 96,435	\$ 98,083
District Superintendents	135,697	150,734
District Administrative Staff	78,527	80,395
Principals	101,739	105,071
Assistant Principals	94,004	94,542
School Service Personnel	65,693	68,738
Supervisors	95,801	97,172
Special Ed/Speech Language Staff	61,199	63,089
Elementary Teachers (PreK-8)	55,366	58,482
Secondary Teachers (9-12)	62,047	66,521
All Classroom Teachers (PreK-12)	57,499	61,022
First-Year Teachers	39,507	39,544

Salaries include board-paid retirement, extra-duty pay, flexible benefit plans, bonus payments and retirement incentives.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANNUAL STATISTICS - SUMMARY OF DEMOGRAPHIC DATA
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

(Unaudited)

Public School Pupil-to-Teacher Ratios

<u>School Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Special Education</u>
1988-89	20.3	17.1	5.2
1989-90	20.2	16.8	5.1
1990-91	19.8	16.7	5.0
1991-92	19.8	16.9	5.1
1992-93	19.7	17.2	5.0
1993-94	19.9	18.0	4.9
1994-95	19.7	18.1	4.9
1995-96	19.5	17.9	4.8
1996-97	20.1	18.7	Not available
1997-98	20.0	18.4	Not available
1998-99	19.6	18.3	Not available
1999-00	19.3	18.1	Not available
2000-01	19.1	18.0	Not available
2001-02	19.0	18.1	Not available
2002-03	18.4	18.2	Not available
2003-04	19.4	18.8	Not available
2004-05	18.9	18.4	Not available
2005-06	19.1	18.9	Not available
2006-07	18.8	18.8	Not available
2007-08	18.3	18.0	Not available
2008-09	18.4	18.0	Not available
2009-10	18.2	18.2	Not available

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

EMERGENCY PURCHASES

FOR THE YEAR ENDED JUNE 30, 2010

ISBE reported emergency purchases to the Office of the Auditor General during fiscal years 2010 and 2009 as noted in the table below.

<u>Description</u>	<u>Estimated Amount</u>	<u>Actual Amount</u>
Fiscal Year 2010		
Provide evaluation of standardized testing services to ensure quality and accuracy and avoid disruption of state services for the Technical Advisory Committee (TAC).	\$ -	\$ 207,000
Fiscal Year 2009		
The School Code (105 ILCS 5/2-3.64) requires that the ISAT include a writing component for Grades 3, 5, 6 and 8. Spring 2009 will be the first time that all four grade levels will be assessed. Critical scoring and range-finding services urgently needed for spring 2009 assessment to ensure that this assessment is scored in a manner that meets Illinois state testing standards.	.	2,994,917

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

MEMORANDUMS OF UNDERSTANDING

FOR THE YEAR ENDED JUNE 30, 2010

(Unaudited)

ISBE has various Memorandums of Understandings (MOU), including eight (8) with Regional Office of Education (ROE); fifteen (15) with universities and colleges; twenty five (25) with interagency agreements relating to agency operations; sixteen (16) with external parties; five (5) with out-of-state governmental agencies. The complete list of MOUs' is too voluminous to list here.

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SERVICE EFFORTS AND ACCOMPLISHMENTS

FOR THE YEAR ENDED JUNE 30, 2010

(Unaudited)

The general objective of Service Efforts and Accomplishments (SEA) reporting is to provide the user of the Agency's financial statements with the information necessary to evaluate the efficiency and effectiveness of the Agency's use of financial and other resources. This is especially important given the significance of the Illinois State Board of Education to the State as a whole and the ongoing public debate concerning education policy across the nation. Starting in 2009, charter school information is included in district statistics. The following data was extracted from the School Report Card: Statewide Trend Data. School Report cards are to be made public by November 1 of each year.

Particular service efforts and accomplishments reported by the Agency are as follows

Performance Indicators	Performance Measures		
<u>Schools/Students</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Number of Operating School Districts	868	869	870
Number of Schools with Report Card Information	3,912	3,910	3,894
Low-Income Rate	45.4%	42.9%	41.1%
Limited English Proficient Rate	7.6%	8.0%	7.5%
Dropout Rate	3.8%	3.5%	4.1%
Attendance Rate	93.9%	93.7%	93.3%
Student Mobility Rate	13.0%	13.5%	14.9%
Chronic Truancy Rate	3.6%	3.7%	2.5%
Graduation Rate	87.8%	87.1%	86.5%

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SERVICE EFFORTS AND ACCOMPLISHMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

(Unaudited)

Performance Indicators	Performance Measures		
Student Achievement – Percent of Students Meeting or Exceeding State Performance Standards	<u>2010</u>	<u>2009</u>	<u>2008</u>
Reading			
Third Grade	74	72	72
Fifth Grade	75	74	74
Eight Grade	84	84	81
Eleventh Grade	54	57	53
Mathematics			
Third Grade	86	85	85
Fifth Grade	83	82	81
Eight Grade	84	82	80
Eleventh Grade	53	52	53
Science			
Fourth Grade	77	77	76
Seventh Grade	82	80	79
Eleventh Grade	52	51	51
ACT Composite Score (schools with Report Card Information)	21	21	21
Percent of Class Taking ACT (1)	-	-	98

(1) The number and percent of students taking the ACT are no longer reported since virtually every eleventh grade student takes the ACT as part of the PSAE.

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

SERVICE EFFORTS AND ACCOMPLISHMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

(Unaudited)

Performance Indicators	Performance Measures		
<u>Teacher Information</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total Number of Teachers (FTE)	132,502	133,017	131,488
Years of Teaching Experience (average)	12.7	12.5	12.4
Percent with Graduate Degree	57.4	55.8	53.2
Students Per Teacher (elementary)	18.2	18.4	18.3
Students Per Teacher (secondary)	18.2	18.0	18.0
Students Per Administrator	203.8	201.8	211.6
Teacher Salary (average)	\$63,296	\$61,402	\$60,871
Administrator Salary (average)	\$109,091	\$106,217	\$105,117
<u>Financial Information (09-10; 08-09; 07-08)</u>			
Instructional Expenditures Per Pupil	\$6,483	\$6,103	\$5,808
Operational Expenditures Per Pupil	\$11,197	\$10,417	\$9,907
<u>Percent of Expenditures by Function (09-10; 08-09; 07-08)</u>			
Instruction	46.1	46.7	47.5
General Administration	3.2	2.4	2.5
Support Services	32.2	32.7	32.4
Other Expenditures	18.5	18.2	17.6
<u>Percent of Expenditures by Fund (09-10; 08- 09; 07-08)</u>			
Education	69.6	71.5	72.6
Operations and Maintenance	7.9	8.6	8.5
Transportation	3.8	3.9	3.9
Bond and Interest	7.0	6.3	6.7
All Other	11.7	9.5	8.3