

State of Illinois
REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI,
AND UNION COUNTIES

FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2014

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

For the Year Ended June 30, 2014

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REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

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REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

OFFICIALS

For the Year Ended June 30, 2014

Regional Superintendent
(Current and During the Audit Period)

Ms. Janet Ulrich

Assistant Regional Superintendent
(Current and During the Audit Period)

Ms. Terri Parmly

Office is located at:

17 Rustic Campus Drive
Ullin, Illinois 62992

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

FINANCIAL REPORT SUMMARY

For the Year Ended June 30, 2014

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

AUDITORS' REPORT

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

SUMMARY OF AUDIT FINDINGS

Number of	This Audit	Prior Audit
Audit findings	0	1
Repeated audit findings	0	0
Prior recommendations implemented or not repeated	1	1

SUMMARY OF FINDINGS AND RESPONSES

Item No.	Page	Description	Finding Type
<i>FINDINGS (GOVERNMENT AUDITING STANDARDS)</i>			
None noted.			
<i>PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)</i>			
2013-001	11	Inadequate Monitoring of Collateral on Deposits	Significant Deficiency
<i>PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)</i>			
None			

EXIT CONFERENCE

Per email correspondence from Kris Fasnacht, Fiscal Manager, dated February 10, 2015, the Regional Office of Education #2 declined to have an exit conference as there were no findings to discuss.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

FINANCIAL STATEMENT REPORT SUMMARY

For the Year Ended June 30, 2014

The audit of the accompanying basic financial statements of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2 was performed by Doehring, Winders & Co. LLP.

Based on their audit, the auditors expressed an unmodified opinion on the Regional Office of Education #2's basic financial statements.

DOEHRING, WINDERS & CO. LLP
Certified Public Accountants
& Business Advisers
1601 LAFAYETTE AVENUE
MATTOON, ILLINOIS 61938

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19, the Regional Office of Education #2 will disband effective July 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 12 through 21 and 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's basic financial statements. The combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and the Schedule of Disbursements to School District Treasurers and Other Entities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedule of accounts, the budgetary comparison schedules, the combining fund financial statements, and the Schedule of Disbursements to School District Treasurers and Other Entities are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedule of accounts, the budgetary comparison schedules, the combining fund financial statements, and the Schedule of School District Treasurers and Other Entities are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2015, on our consideration of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control over financial reporting and compliance.

Doehring, Winters & Co. LLP

Mattoon, Illinois
March 6, 2015

DOEHRING, WINDERS & Co. LLP
*Certified Public Accountants
& Business Advisers*
1601 LAFAYETTE AVENUE
MATTOON, ILLINOIS 61938

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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's basic financial statements, and have issued our report thereon dated March 6, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control. Accordingly, we do not express an opinion on the effectiveness of Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2'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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dochring, Winters & Co. LLP

Mattoon, Illinois
March 6, 2015

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiency identified? No
- Noncompliance material to financial statements noted? No

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2014

Section II - Financial Statement Findings

There were no audit findings for the year ended June 30, 2014.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2014

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
2013-001	Inadequate Monitoring of Collateral on Deposits	Not repeated

MANAGEMENT'S DISCUSSION AND ANALYSIS

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

Regional Office of Education #2 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the Regional Office of Education #2's financial statements, which follow.

2014 Financial Highlights

- General Fund revenues decreased from \$829,085 in fiscal year 2013 (FY13) to \$752,595 in fiscal year 2014 (FY14), and General Fund expenditures increased from \$827,492 in FY13 to \$1,627,748 in FY14. This resulted in a decrease in the Regional Office of Education #2's fund balance reported in the General Fund from \$2,816,123 in FY13 to \$1,948,749 in FY14.
- The decrease in General Fund revenues was due primarily to a decrease in payments received from both state and federal sources during the year. The increase in General Fund expenditures was due to significant increases in salaries and benefits paid from these funds rather than grant funds, purchased supplies, and payments to other governments. Overall, the fund balance decrease in the General Fund was due to expenditures significantly exceeding current year revenues.
- Education Fund revenues decreased from \$1,110,854 in FY13 to \$447,635 in FY14, and Education Fund expenditures decreased from \$1,044,366 in FY13 to \$447,441 in FY14. This resulted in an increase in the Education Fund balance from (\$20,229) in FY13 to (\$19,996) in FY14.
- The decrease in Education Fund revenues and expenditures was due primarily to the reduction in the amount of grant funds received from state and particularly federal sources.

Using This Report

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

- The Regional Office of Education #2's Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Regional Office of Education #2's financial activities.
- The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Regional Office of Education #2 as a whole and present an overall view of the Regional Office of Education #2's finances.
- The governmental fund financial statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report the Regional Office of Education #2's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- The required supplementary information and other information further explains and supports the financial statements with a Schedule of Funding Progress for the Illinois Municipal Retirement Fund, a comparison of the Regional Office of Education #2's budgets for the year, and detailed information about the General Fund, Education Fund, and Other Nonmajor funds.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

Reporting the Office as a Whole

The Statement of Net Position and the Statement of Activities

The government-wide financial statements report information about the Regional Office of Education #2 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all the Regional Office of Education #2's assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide financial statements report the Regional Office of Education #2's net position and how they have changed. Net position – the difference between the Regional Office of Education #2's assets and liabilities – is one way to measure the Regional Office of Education #2's financial health or position.

- Over time, increases or decreases in the Regional Office of Education #2's net position are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Regional Office of Education #2's overall health, additional non-financial factors need to be considered.

In the government-wide financial statements, the Regional Office of Education #2's activities consist of governmental activities and business-type activities.

- *Governmental activities:* Most of the Regional Office of Education #2's basic services are included here, such as education/instruction, student and instructional staff support services and administration. State and federal grants, and state aid finance most of these activities.
- *Business-type activities:* The Regional Office of Education #2 charges fees to help cover the costs of certain services and workshops it provides.

Governmental Fund Financial Statements

The governmental fund financial statements provide detailed information about the Regional Office of Education #2's funds, focusing on its most significant or "major" funds – not the Regional Office of Education #2 as a whole. Funds are accounting devices the Regional Office of Education #2 uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law. The Regional Office of Education #2 establishes other funds to control and manage money for particular purposes.

Governmental funds account for most of the Regional Office of Education #2's basic services. These focus on how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Regional Office of Education #2's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation between the government-wide statements and the governmental fund statements follows each of the related governmental fund statements. The Regional Office of Education #2's governmental funds include the General Fund and the Special Revenue Funds.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

Governmental Fund Financial Statements (continued)

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

Government–Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The Regional Office of Education #2's net position at the end of FY14 totaled approximately \$2.0 million. This compared to approximately \$2.9 million at the end of FY13. The analysis that follows provides a summary of the Regional Office of Education #2's net position at June 30, 2014 and 2013 for the governmental and business-type activities.

**Condensed Statement of Net Position
Governmental Activities**

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>
Current assets	\$ 1,989,916	\$ 2,956,165	\$ (966,249)
Capital assets, being depreciated, net	<u>35,702</u>	<u>86,754</u>	<u>(51,052)</u>
Total assets	<u>2,025,618</u>	<u>3,042,919</u>	<u>(1,017,301)</u>
Current liabilities	13,772	33,400	(19,628)
Noncurrent liabilities	<u>7,672</u>	<u>61,444</u>	<u>(53,772)</u>
Total liabilities	<u>21,444</u>	<u>94,844</u>	<u>(73,400)</u>
Net position:			
Invested in capital assets, net of related debt	35,702	86,754	(51,052)
Restricted for educational purposes	14,559	24,975	(10,416)
Unrestricted	<u>1,953,913</u>	<u>2,836,346</u>	<u>(882,433)</u>
Total net position	<u>\$ 2,004,174</u>	<u>\$ 2,948,075</u>	<u>\$ (943,901)</u>

The Regional Office of Education #2's combined governmental net position decreased by \$943,901 from FY13. In addition, net position for educational purposes is considered restricted.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

Condensed Statement of Net Position
Business-Type Activities

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>
Current assets	\$ (4,064)	\$ (5,955)	\$ 1,891
Capital assets, being depreciated, net	-	1,150	(1,150)
Total assets	<u>(4,064)</u>	<u>(4,805)</u>	<u>741</u>
Noncurrent liabilities	-	4,817	(4,817)
Total liabilities	<u>-</u>	<u>4,817</u>	<u>(4,817)</u>
Net position:			
Invested in capital assets, net of related debt	-	1,150	(1,150)
Unrestricted	<u>(4,064)</u>	<u>(10,772)</u>	<u>6,708</u>
Total net position	<u>\$ (4,064)</u>	<u>\$ (9,622)</u>	<u>\$ 5,558</u>

The Regional Office of Education #2's business-type net position increased by \$5,558 from FY13. The Regional Office of Education #2 uses its business-type net position to provide workshops and training services to school districts in the Region.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

Government-Wide Financial Analysis (continued)

The following analysis shows the changes in net position for governmental and business-type activities for the years ended June 30, 2014 and June 30, 2013.

Statement of Activities
Governmental Activities

	2014	2013	Increase/ (Decrease)
Revenues:			
Program revenues:			
Operating grants and contributions	\$ 426,518	\$ 1,004,057	\$ (577,539)
Charges for services	17,356	19,882	(2,526)
General revenues and transfers:			
Local sources	32,262	59,446	(27,184)
State sources	323,841	386,154	(62,313)
On-behalf payment	375,154	364,765	10,389
Loss on disposal of capital assets	(15,547)	(12,315)	(3,232)
Investment earnings	12,662	15,779	(3,117)
Transfers	(4,817)	-	(4,817)
	<u>1,167,429</u>	<u>1,837,768</u>	<u>(670,339)</u>
Total revenues			
Expenses:			
Program expenses:			
Instructional services			
Salaries and benefits	622,113	881,058	(258,945)
Purchased services	200,264	225,844	(25,580)
Supplies and materials	130,092	126,514	3,578
Bad debt expense	48,831	-	48,831
Depreciation expense	20,503	40,179	(19,676)
Payments to other governments	715,053	269,520	445,533
Administrative expenses:			
On-behalf payments - state	375,154	364,765	10,389
	<u>2,112,010</u>	<u>1,907,880</u>	<u>204,130</u>
Total expenses			
Change in net position	(944,581)	(70,112)	(874,469)
Net position - beginning	<u>2,948,755</u>	<u>3,018,187</u>	<u>(69,432)</u>
Net position - ending	<u>\$ 2,004,174</u>	<u>\$ 2,948,075</u>	<u>\$ (943,901)</u>

Revenues for governmental activities were \$1,167,429 and expenses were \$2,112,010. The decrease in total revenue is due to several factors including grants that were reduced or no longer funded in FY14.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

Government-Wide Financial Analysis (continued)

Statement of Activities
Business-Type Activities

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>
Revenues:			
Program revenues:			
Charges for services	\$ 2,334	\$ 6,316	\$ (3,982)
General revenues and transfers:			
Loss on disposal of assets	(217)	-	(217)
Transfer in	4,817	-	4,817
	<u>6,934</u>	<u>6,316</u>	<u>618</u>
Total revenues			
Expenses:			
Purchased services	152	9,722	(9,570)
Supplies and materials	161	273	(112)
Depreciation expense	383	384	(1)
	<u>696</u>	<u>10,379</u>	<u>(9,683)</u>
Total expenses			
Change in net position	6,238	(4,063)	10,301
Net position - beginning	<u>(10,302)</u>	<u>(5,559)</u>	<u>(4,743)</u>
Net position - ending	<u>\$ (4,064)</u>	<u>\$ (9,622)</u>	<u>\$ 5,558</u>

Revenues for the business-type activities were \$6,934 and expenses were \$696. This resulted in an overall increase in total net position of \$6,238.

Financial Analysis of the Regional Office of Education #2 Funds

As previously noted, the Regional Office of Education #2 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund Highlights:

- The Regional Office of Education #2's governmental funds reported combined fund balances of \$1,941,477 compared with FY13's ending fund balances of \$2,817,075. Of this, the fund balance reported by the General Fund of \$1,948,749 decreased from FY13's ending fund balance of \$2,816,123, fund balance reported by the Education Fund of (\$19,996) increased from FY13's ending fund balance of (\$20,229), and the fund balance for other nonmajor governmental funds of \$12,724 decreased from FY13's ending fund balance of \$21,181. The primary reason for the decrease in combined fund balances in FY14 was due to increased expenditures with less grant funds being received.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

Financial Analysis of the Regional Office of Education #2 Funds (continued)

Governmental Fund Highlights: (continued)

- Another reason for the significant change in fund balances was the increase in payments to other governments from these funds and the significant decline in revenues from federal sources.
- The Regional Office of Education #2's decreasing General Fund financial position is the product of many factors, but is primarily due to decreasing revenues from state sources and increases in salaries and benefits and payments to other governments paid from these funds during the year.

Business-Type Fund Highlights:

- The Regional Office of Education #2's business-type fund reported combined net position of (\$4,064) compared with FY13's ending net position of (\$9,622). The primary reason for the increase in net position in FY14 was due to a reduction in purchased services.

Fiduciary Fund Type:

Regional Office of Education #2's fiduciary funds are used to account for assets held by the Regional Office of Education #2 in trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Distributive Fund is the Regional Office of Education #2's only agency fund.

Interest on Distributive Fund – The Regional Office of Education #2 has agreements with all participating districts in the region whereby the Regional Office of Education #2 is allowed to keep the interest for expenditures benefiting all districts.

Measurement Focus:

The fund financial statements of all Governmental Funds focus on the measurement of spending or "financial flow" and the determination of changes in financial position, rather than upon net income determination. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. In applying the susceptible to accrual concepts to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Regional Office of Education #2; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditures and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

Financial Analysis of the Regional Office of Education #2 Funds (continued)

Budgetary Highlights:

The Regional Office of Education #2 annually adopts budgets for several funds when required by the granting agency. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the five County Boards for their approval. The Office Operations Budget covers a fiscal year of July 1 through June 30. All grant budgets are prepared by the Regional Office of Education #2 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency. Schedules showing the budget amounts compared to the Regional Office's actual financial activity are included in the supplementary information of this report.

Capital Assets

The Regional Office of Education #2 owns buildings and equipment. Items purchased costing over \$500 are listed on the Regional Office of Education #2's inventory. At June 30, 2014, the Regional Office of Education #2 had an investment in capital assets of \$35,702 which is the original cost of the assets less the accumulated depreciation.

Economic Factors and Next Year's Budget

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

- Funding for existing programs comes in part from the state through funding such as General State Aid. Reduced funding, and in some cases the expectation of no funding, have and will continue to reduce the revenue to support these programs.
- Funding for existing programs comes in part from grant funds. Due to the reduction in the number of grants available, the reduction in the awarded amount of the grants available, and the state's inconsistency with making payments in a timely manner, projecting revenues cannot be done accurately.
- Legislation has been passed to which the number of regional superintendent offices in the State of Illinois is to be reduced which has caused the expected merger of Regional Office of Education #2 into one or more other Regional Offices of Education. The expected date of the merger will be July 1, 2015. See 105 ILCS 5/3A-4 (Mandatory Consolidation of Educational Service Regions).
- Due to the closing of the Regional Office of Education #2 at the end of next fiscal year, many factors will impact the financial status of the office. They include, but are not limited to: the availability of grants to an office that is closing, the services that will continue to be provided, the implementation of educational programs at school districts within our counties, and the mandated closing of sites, programs, accounts, etc. to be done before the office is to be closed.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

Additional Information

The following information is furnished to further explain the Regional Office of Education #2's financial analysis and planning:

Management staff and financial staff continually review all aspects of the financial statements including the format of financial statements, accounting and reporting capital assets, and financial reports of individual funds. This would include a monthly analysis and cross check of balancing the various funds. The review of how to meet projected shortfalls are discussed and analyzed at these meetings.

The management team reviews all programs from short-term to long-term concerning the financial aspects of the Regional Office of Education #2. This includes reviewing projected funds and/or amending the various programs in order to ensure adequate and proper funding.

Due to the mandated closing of the Regional Office of Education #2 mentioned above, management staff and financial staff will be working together to fund all services and programs through the end of the FY15 school year. At the same time, preparations will be made in all areas of financial management for the permanent closing of this office.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the Regional Office of Education #2's citizens, taxpayers, customers, and investors with a general overview of the Regional Office of Education #2's finances and to demonstrate the Regional Office of Education #2's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Regional Office of Education #2, 17 Rustic Campus Drive, Ullin, IL 62992.

BASIC FINANCIAL STATEMENTS

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF NET POSITION

June 30, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,034,120	\$ -	\$ 1,034,120
Investments	343,008	-	343,008
Interfund due to/from	4,614	(4,614)	-
Due from Distributive Fund	467,247	-	467,247
Due from other governments:			
Local	73,299	550	73,849
State	67,628	-	67,628
Total current assets	<u>1,989,916</u>	<u>(4,064)</u>	<u>1,985,852</u>
Noncurrent assets:			
Capital assets, net of depreciation	<u>35,702</u>	-	<u>35,702</u>
Total noncurrent assets	<u>35,702</u>	<u>-</u>	<u>35,702</u>
Total assets	<u>2,025,618</u>	<u>(4,064)</u>	<u>2,021,554</u>
Liabilities			
Current liabilities:			
Accounts payable	3,635	-	3,635
Due to other governments	7,289	-	-
Unearned revenue	2,848	-	2,848
Total current liabilities	<u>13,772</u>	<u>-</u>	<u>13,772</u>
Noncurrent liabilities:			
IMRF net pension obligation	320	-	320
Liability for compensated absences	7,352	-	7,352
Total noncurrent liabilities	<u>7,672</u>	<u>-</u>	<u>7,672</u>
Total liabilities	<u>21,444</u>	<u>-</u>	<u>21,444</u>
Net position			
Investment in capital assets	35,702	-	35,702
Restricted for educational purposes	14,559	-	14,559
Unrestricted	1,953,913	(4,064)	1,949,849
Total net position	<u>\$ 2,004,174</u>	<u>\$ (4,064)</u>	<u>\$ 2,000,110</u>

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Instructional Services:							
Salaries and benefits	\$ 622,113	\$ 2,997	\$ 189,083	\$ -	\$ (430,033)	\$ -	\$ (430,033)
Purchased services	200,264	12,821	19,242	-	(168,201)	-	(168,201)
Supplies and materials	130,092	1,538	36,957	-	(91,597)	-	(91,597)
Payments to other governments	715,053	-	166,275	-	(548,778)	-	(548,778)
Bad debt expense	48,831	-	-	-	(48,831)	-	(48,831)
Depreciation	20,503	-	14,961	-	(5,542)	-	(5,542)
Administrative:							
On-behalf payments - state	375,154	-	-	-	(375,154)	-	(375,154)
Total governmental activities	<u>2,112,010</u>	<u>17,356</u>	<u>426,518</u>	<u>-</u>	<u>(1,668,136)</u>	<u>-</u>	<u>(1,668,136)</u>
Business-type activities							
Registration fees	313	2,334	-	-	-	2,021	2,021
Depreciation	383	-	-	-	-	(383)	(383)
Total business-type activities	<u>696</u>	<u>2,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,638</u>	<u>1,638</u>
Total primary government	<u>\$ 2,112,706</u>	<u>\$ 19,690</u>	<u>\$ 426,518</u>	<u>\$ -</u>	<u>(1,668,136)</u>	<u>1,638</u>	<u>(1,666,498)</u>
General Revenues:							
Local sources					32,262	-	32,262
State sources					323,841	-	323,841
On-behalf payments					375,154	-	375,154
Loss on disposal of capital assets					(15,547)	(217)	(15,764)
Investment earnings					12,662	-	12,662
Transfers					(4,817)	4,817	-
Total general revenues and transfers					<u>723,555</u>	<u>4,600</u>	<u>728,155</u>
Change in net position					(944,581)	6,238	(938,343)
Net position - beginning (restated) - see Note 17					<u>2,948,755</u>	<u>(10,302)</u>	<u>2,938,453</u>
Net position - ending					<u>\$ 2,004,174</u>	<u>\$ (4,064)</u>	<u>\$ 2,000,110</u>

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Education Fund	Other Non-Major Funds	Eliminations	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 1,007,897	\$ 7,259	\$ 18,964	\$ -	\$ 1,034,120
Investments	343,008	-	-	-	343,008
Due from other funds	122,972	-	-	(118,358)	4,614
Due from Distributive Fund	467,247	-	-	-	467,247
Due from other governments					
Local	48,117	25,182	-	-	73,299
State	-	67,628	-	-	67,628
Total assets	<u>\$ 1,989,241</u>	<u>\$ 100,069</u>	<u>\$ 18,964</u>	<u>\$ (118,358)</u>	<u>\$ 1,989,916</u>
Liabilities:					
Accounts payable	\$ 3,400	\$ -	\$ 235	\$ -	\$ 3,635
Due to other funds	16,967	95,386	6,005	(118,358)	-
Due to other governments	7,289	-	-	-	7,289
Unearned revenue	-	2,848	-	-	2,848
Total liabilities	<u>27,656</u>	<u>98,234</u>	<u>6,240</u>	<u>(118,358)</u>	<u>13,772</u>
Deferred inflows of resources					
Unavailable revenue	<u>12,836</u>	<u>21,831</u>	<u>-</u>	<u>-</u>	<u>34,667</u>
Fund balance (deficit):					
Restricted	-	4,420	18,964	-	23,384
Assigned	1,863,472	-	-	-	1,863,472
Unassigned, reported in:					
Special revenue funds	-	(24,416)	(6,240)	-	(30,656)
General fund	<u>85,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,277</u>
Total fund balance (deficit)	<u>1,948,749</u>	<u>(19,996)</u>	<u>12,724</u>	<u>-</u>	<u>1,941,477</u>
Total liabilities, deferred inflows, and fund balance (deficit)	<u>\$ 1,989,241</u>	<u>\$ 100,069</u>	<u>\$ 18,964</u>	<u>\$ (118,358)</u>	<u>\$ 1,989,916</u>

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2014

Total Fund balances - governmental funds		\$ 1,941,477
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Some revenues will not be collected for several months after the Regional Office fiscal year ends, they are not considered "available" revenues and are deferred inflows of resources in the governmental funds.</p>		34,667
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		35,702
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
<p style="padding-left: 40px;">Liability for compensated absences</p> <p style="padding-left: 40px;">IMRF net pension obligation</p>	<p>\$ (7,352)</p> <p><u>(320)</u></p>	<p><u>(7,672)</u></p>
Net position of governmental activities		<u><u>\$ 2,004,174</u></u>

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	General Fund	Education Fund	Other Nonmajor Funds	Eliminations	Total Governmental Funds
Revenues:					
Local sources	\$ 53,600	\$ 21,125	\$ 14,616	\$ -	\$ 89,341
State sources	323,841	302,027	2,740	-	628,608
State sources- payments made on behalf of region	375,154	-	-	-	375,154
Federal sources	-	124,483	-	-	124,483
Total revenues	752,595	447,635	17,356	-	1,217,586
Expenditures:					
Instructional services					
Salaries and benefits	437,578	234,636	3,671	-	675,885
Purchased services	166,154	18,406	15,704	-	200,264
Supplies and materials	92,857	35,351	1,884	-	130,092
Payments to other governments	556,005	159,048	-	-	715,053
Payments made on behalf of region	375,154	-	-	-	375,154
Capital outlay	-	-	5,261	-	5,261
Total expenditures	1,627,748	447,441	26,520	-	2,101,709
Excess (deficiency) of revenues over (under) expenditures	(875,153)	194	(9,164)	-	(884,123)
Other financing sources (uses):					
Transfers out	(4,817)	-	-	-	(4,817)
Interest	12,596	39	27	-	12,662
Total other financing sources (uses)	7,779	39	27	-	7,845
Net change in fund balances	(867,374)	233	(9,137)	-	(876,278)
Fund balances (deficit) - beginning (restated) - see Note 17	2,816,123	(20,229)	21,861	-	2,817,755
Fund balances (deficit) - ending	<u>\$ 1,948,749</u>	<u>\$ (19,996)</u>	<u>\$ 12,724</u>	<u>\$ -</u>	<u>\$ 1,941,477</u>

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

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

For the Year Ended June 30, 2014

Net change in fund balances \$ (876,278)

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

Some revenues will not be collected for several months after the Regional Office fiscal year ends, they are not considered "available" revenues and are deferred inflows of resources in the governmental funds.

Reported in the funds - prior year	\$ (105,690)	
Reported in the funds - current year	<u>34,667</u>	(71,023)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 5,261	
Depreciation	(20,503)	
Loss on disposal of capital assets	(15,547)	
Proceeds on sale of capital assets	<u>(20,263)</u>	(51,052)

Certain expenses in the Statement of Activities do not require the use of current financial resources and were recognized in the Statement of Activities in the prior year. These expenses were paid and recognized in the governmental funds in the current year.

Compensated absences expense	\$ 6,399	
IMRF net pension expense	<u>47,373</u>	<u>53,772</u>

Change in net position of governmental activities \$ (944,581)

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF NET POSITION
PROPRIETARY FUND

JUNE 30, 2014

	<u>Business-Type Activities- Enterprise Funds</u> <u>Workshops Fund</u>
Assets:	
Current assets:	
Due from other governments	\$ 550
Total assets	<u>550</u>
Liabilities:	
Current liabilities:	
Due to other funds	<u>4,614</u>
Total liabilities	<u>4,614</u>
Net position:	
Unrestricted	<u>(4,064)</u>
Total net position	<u>\$ (4,064)</u>

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND

For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds
	Workshops Fund
Operating revenues:	
Local sources	\$ 2,334
Total operating revenues	2,334
Operating expenses:	
Purchased services	152
Supplies and materials	161
Depreciation	383
Total operating expenses	696
Operating income	1,638
Nonoperating revenue:	
Loss on disposal of assets	(217)
Transfer in	4,817
Total nonoperating revenue	4,600
Change in net position	6,238
Net position - beginning (restated) - see Note 17	(10,302)
Net position - ending	\$ (4,064)

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended June 30, 2014

	Business-Type Activities- Enterprise Funds
	Workshops Fund
Cash flows from operating activities:	
Receipts from customers	\$ 2,334
Payments to suppliers and providers of goods and services	(313)
Payment for employee benefits	(4,817)
	(2,796)
Cash flows from noncapital financing activities:	
Cash transfer from other funds	4,817
Payments for interfund borrowing, net	(2,021)
	2,796
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents - beginning	-
Cash and cash equivalents - ending	\$ -
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating income	\$ 1,638
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	383
Change in assets and liabilities:	
(Decrease) in IMRF net pension obligation	(4,817)
Net cash (used for) operating activities	\$ (2,796)

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

June 30, 2014

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 467,455
Due from other governments	<u>169,644</u>
Total Assets	<u>\$ 637,099</u>
Liabilities	
Due to primary government	\$ 467,247
Due to other governments	<u>169,852</u>
Total Liabilities	<u>\$ 637,099</u>

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Regional Office of Education #2 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

This summary of significant accounting policies of the Regional Office of Education #2 is presented to assist in understanding the Regional Office of Education #2's financial statements. The financial statements and notes are representations of the Regional Office of Education #2's management who is responsible for the integrity and objectivity of the financial statements. The Illinois Administrative Code, Title 23 - Subtitle A, Chapter 1, Section 110.115a, requires each Regional Office of Education to prepare annual financial statements in conformity with accounting principles generally accepted in the United States of America. These principles have been consistently applied in the preparation of the financial statements.

FINANCIAL REPORTING ENTITY

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

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education #2's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

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

The Regional Superintendent is also responsible for apportionment and payment of funds received from the State for the districts in the Regional Office of Education #2, or see that no payments are made unless the treasurer has filed or renewed appropriate bonds and that the district has certified publication of the annual financial report. The Regional Superintendent is required to provide opinions and advice related to controversies under school law.

For the period ended June 30, 2014, the Regional Office of Education #2 applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in Regional Office of Education #2. Such activities are reported as a single major special revenue fund (i.e. within the Education Fund).

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SCOPE OF THE REPORTING ENTITY

The Regional Office of Education #2's reporting entity includes all related organizations for which they exercise oversight responsibility.

The Regional Office of Education #2 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the Regional Office of Education #2, including districts or joint agreements which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the Regional Office of Education #2 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

Other districts and joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the Regional Office of Education #2 does not control the assets, operations, or management of the districts or joint agreements. In addition, the Regional Office of Education #2 is not aware of any entity, which would exercise such oversight as to result in the Regional Office of Education #2 being considered a component unit of the entity.

NEW ACCOUNTING PRONOUNCEMENTS

In 2014, the Regional Office of Education #2 implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. In addition, the Regional Office of Education #2 implemented GASB Statement No. 66, *Technical Corrections - 2012 - An Amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, GASB Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Regional Office of Education #2 also implemented GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. Lastly, the Regional Office of Education #2 implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement provides accounting and financial reporting guidance to state and local governments that either offer or receive nonexchange financial guarantees. The new standards implemented during 2014 had no significant impact on the financial statements.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Regional Office of Education #2's activities with most of the interfund activities removed. Governmental activities include programs supported primarily by State and federal grants and other intergovernmental revenues. The Regional Office of Education #2 has one business-type activity that relies on fees and charges for support.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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

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

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

All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities.

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUND FINANCIAL STATEMENTS (Continued)

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

Revenue received after the Regional Office's availability period are reported as deferred inflows of resources in the fund statements and are reported as current revenue in the Statement of Activities.

PROPRIETARY FUND FINANCIAL STATEMENTS

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and nonmajor funds aggregated.

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

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Regional Office of Education #2; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Under the terms of grant agreements, Regional Office of Education #2 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. It is Regional Office of Education #2's policy to first apply restricted funds to such programs, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned, if any.

FUND ACCOUNTING

The Regional Office of Education #2 uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Regional Office of Education #2 uses governmental, proprietary, and fiduciary funds.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the Regional Office of Education #2 are typically reported. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets and deferred outflows of resources are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as a fund balance.

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

The Regional Office of Education #2 reports the following major governmental funds:

General Fund - The General Fund is used to account for resources traditionally associated with government which are not required, legally or by sound financial management, to be accounted and reported for in another fund. The General Fund is always considered a major fund. The following accounts are included in the General Fund:

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

General State Aid - This fund accounts for unrestricted funding used to support the Regional Safe Schools, Truants Alternative/ Optional Education, and Adult Education Programs.

Office Fund - This fund accounts for monies received from each of the five counties in the region for salaries, benefits, utilities, supplies, etc. of the Regional Office of Education #2.

Director's Fund - This fund accounts for the interest monies earned from the Distributive Fund which are used for the benefit of the Regional Office of Education #2 and its schools.

Major Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted to expenditures for specified purposes other than debt service and capital projects. Major special revenue funds include the following:

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

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

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

General Revenue - This fund accounts for monies accumulated over 35+ years from varying sources in order to support all functions of the Regional Office of Education #2's adult education program.

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

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

Adult State 3-1 - This fund accounts for State funds received from the ICCB for vocational training and can be used the same as Public Assistance funds.

McKinney Education for Homeless Children - The fund provides educational services and strives to heighten community awareness of the need to serve the homeless population.

Miscellaneous Grant Funds - This fund accounts for the revenue and expenditures of various federal, State, and local grant funds. For fiscal year 2014, revenues and expenditures related to the IASA Job Bank were reported in this fund.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

Regional Safe Schools - This fund provides instruction services and materials for safe school students referred to the Regional Office of Education #2 from local school districts.

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

Secretary of State Adult Volunteer Literacy - This fund provides volunteer tutoring services to individuals in the Regional Office of Education #2 area.

Service Fund - This fund accounts for local Masonic scholarship funds to provide scholarships to local high school graduates.

System of Support Title I - School Improvement and Accountability - This fund supports the improvement of basic programs operated by the Regional Office of Education #2 by providing professional development for data analysis, school improvement plan/development, standards-aligned curriculum/instruction, and classroom assessment to System of Support status schools on the Academic Early Warning and Watch.

Title I - Migrant Education & Title I - Migrant Incentive Grant - These programs work with children of migrant families through the summer months to help them retain what was learned in the prior school year.

Title II - Teacher Quality - Leadership Grant - This program accounts for the proceeds of a grant from the Illinois State Board of Education to improve teacher effectiveness in the classroom.

Truants Alternative/Optional Education - This fund provides alternative educational program services to truant students referred from local schools to the Regional Office of Education #2.

The Regional Office of Education #2 reports the following nonmajor governmental funds:

Nonmajor Special Revenue Funds - All other special revenue funds not classified under Education Fund are grouped under this fund for financial statement presentation. Nonmajor special revenue funds include the following:

Institute - This fund accounts for teacher certificate registration, issuance and evaluation fees for processing certificates, and expenses for meetings of a professional nature. All funds generated remain restricted until expended only on the aforementioned activities.

Bus Driver Permit - This fund accounts for State and local receipts and expenses as a result of training school district bus drivers.

General Education Development - This fund accounts for the receipts and expenses pertaining to the G.E.D./High School Equivalency program for high school dropouts.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPRIETARY FUND

Proprietary Fund- The Proprietary Fund accounts for revenues and expenses related to services provided to organizations inside the Regional Office of Education #2 on a cost reimbursement basis.

The Regional Office of Education #2 reports the following proprietary fund:

Workshops Fund - This fund accounts for the receipts and expenses pertaining to teacher meetings and workshops of a professional nature.

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to account for assets held by the Regional Office of Education #2 in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds include the following:

Distributive Fund - This fund accounts for the proceeds apportioned to the Region that in turn distributes the proceeds to the member school districts.

GOVERNMENTAL FUND BALANCES

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

Nonspendable Fund Balance - the portion of a Governmental Fund's net position that are not available to be spent, either short term or long term in either form or through legal restrictions. The Regional Office of Education #2 has no nonspendable fund balances.

Restricted Fund Balance - the portion of a Governmental Fund's net position that are subject to external enforceable legal restrictions. The following account's fund balance is restricted by grant agreements or contracts: Service Fund. The following fund balances are restricted by Illinois Statute: Institute and General Education Development.

Committed Fund Balance - the portion of a Governmental Fund's net position with self-imposed constraints or limitations that have been placed at the highest level of decision making. The Regional Office of Education #2 has no committed fund balances.

Assigned Fund Balance - the portion of a Governmental Fund's net position to denote an intended use of resources. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The following accounts' fund balances are assigned: General State Aid and Office Fund.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUND BALANCES (Continued)

Unassigned Fund Balance - available expendable financial resources in a governmental fund that are not designated for a specific purpose. The Regional Office of Education #2 has an unassigned fund balance in the General Fund's Director's Fund. Special revenue funds that present a deficit balance have also been reported as unassigned. These funds include Adult Education - General Revenue, System of Support Title I - School Improvement and Accountability, and Bus Driver Permit.

NET POSITION

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

Net investment in capital assets - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted net position - The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash on deposit. The Regional Office of Education #2 considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

INVENTORY

Inventory is not recorded. The cost is recorded as an expenditure at the time individual inventory items are purchased.

CAPITAL ASSETS

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

Office Equipment and Furniture	5-10 years
Computer Equipment	3-5 years
Other Equipment	5-20 years

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DEFERRED INFLOWS OF RESOURCES

GASB Statement No. 65 reclassified as deferred inflows of resources items previously reported as liabilities. Increases in net assets that relate to future periods are reported as deferred inflows of resources. When an asset is recorded in the governmental fund financial statements but the revenue is not available, the Regional Office reports a deferred inflow of resources until such time as the revenue becomes available.

ESTIMATES

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

BUDGET INFORMATION

The Regional Office of Education #2 acts as the administrative agent for certain grant programs that are accounted for within the Education Fund. These programs have separate budgets and are required to report to the Illinois State Board of Education and Illinois Community College Board; however, none of the annual budgets have been legally adopted, nor are they required to do so. Certain programs within the General Fund and the Special Revenue Funds do not have separate budgets. Comparisons of budgeted and actual results for the following programs are presented as supplementary information: Adult Education - Federal Basic, Adult Education - Performance, Adult Education - Public Assistance, Adult Education - State 3-1, McKinney Education for Homeless Children, Regional Safe Schools, ROE/ISC Operations, System of Support - Title I School Improvement and Accountability, Title I - Migrant Education, Title I - Migrant Incentive Grant, Title II - Teacher Quality - Leadership Grant, and Truants Alternative/Optional Education.

2 DEPOSITS AND INVESTMENTS

The Illinois Compiled Statutes authorize the Regional Office of Education #2 to make deposits and invest in U.S. Government, State of Illinois and municipal securities, certificates of deposit or time savings deposits insured by the FDIC, mortgage notes, bonds, or debentures issued by the Federal Housing Administration, bonds and other obligations of the Federal National Mortgage Association, commercial paper rated within the three highest classifications by at least two standard rating services, credit union shares, and the Illinois Public Treasurer's Investment Pool.

DEPOSITS

At June 30, 2014, the carrying amount of the Regional Office of Education #2's government-wide and fiduciary fund deposits were \$1,034,120 and \$467,455 respectively, and the bank balances were \$1,295,443 and \$744,710, respectively. At June 30, 2014, \$1,498,743 of the Regional Office of Education #2's cash deposits, in various financial institutions, were insured by the Federal Deposit Insurance Corporation. Another \$539,770 was collateralized by securities pledged by the Regional Office of Education #2's financial institutions in the name of the Regional Office. The Illinois Funds Money Market accounts had a total balance of \$1,640 at June 30, 2014, which is fully collateralized and not subject to credit risk. All deposits were fully insured or collateralized, and were, therefore, not exposed to custodial credit risk.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2014

2 DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS

The Regional Office of Education #2 does not have a formal investment policy. The Regional Office of Education #2 is allowed to invest in securities as authorized by 30 ILCS 235/2 and 6 and 105 ILCS 5/8-7. As of June 30, 2013, the Regional Office of Education #2 had investments with carrying and fair value of \$343,008 invested in certificates of deposit. Of this amount, \$80,000 was insured by the Federal Deposit Insurance Corporation and the remaining \$263,008 was collateralized by securities pledged by the Regional Office of Education #2's financial institutions in the name of the Regional Office.

CREDIT RISK

At June 30, 2014, the Illinois Funds Money Market Fund had a Standard and Poor's AAAM rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

INTEREST RATE RISK

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

CONCENTRATION OF CREDIT RISK

Unless specifically authorized by the Treasurer, the Illinois Funds Money Market Fund's investment policy limits investment categories to not exceed 25% of the portfolio, with the exception of cash equivalents and U.S. Treasury securities. Further, certificates of deposit cannot exceed 10% of any single financial institution's total deposits.

3 DEFINED BENEFIT PENSION PLAN - ILLINOIS MUNICIPAL RETIREMENT FUND

A. PLAN DESCRIPTION

The Regional Office of Education #2's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Regional Office of Education #2's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2014

3 DEFINED BENEFIT PENSION PLAN - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

B. FUNDING POLICY

As set by statute, the Regional Office of Education #2's Regular plan members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2013 used by the employer was 12.33 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2013 was 14.58 percent. The Regional Office of Education #2 also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

C. ANNUAL PENSION COST

For calendar year ending December 31, 2013, the Regional Office of Education #2's actual contributions for pension cost for the Regular plan were \$33,186. Its required contribution for calendar year 2013 was \$39,242. During the year ended June 30, 2014, the Regional Office of Education #2 made an additional contribution of \$56,214 to pay off the net pension obligation as of December 31, 2013. The total net pension obligation at June 30, 2014, was \$320.

Three-Year Trend Information for the Regular Plan:

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2013	\$ 39,242	85%	\$ 320 *
12/31/2012	47,686	76%	52,510
12/31/2011	58,160	60%	43,033

* Net pension obligation as of June 30, 2014

The required contribution for 2013 was determined as part of the December 31, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 7.5% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of Regional Office of Education #2's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Regional Office of Education #2's Regular plan's unfunded actuarial accrued liability at December 31, 2011 is being amortized as a level percentage of projected payroll on an open 10 year basis.

D. FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2013, the most recent actuarial valuation date, the Regular plan was 81.40 percent funded. The actuarial accrued liability for benefits was \$822,791 and the actuarial value of assets was \$669,719, resulting in an underfunded actuarial accrued liability (UAAL) of \$153,072. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$269,148 and the ratio of the UAAL to the covered payroll was 57 percent.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2014

3 DEFINED BENEFIT PENSION PLAN - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

D. FUNDED STATUS AND FUNDING PROGRESS (Continued)

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

4 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

The Regional Office of Education #2 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago.

The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains primary responsibility for funding the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the System's administration.

TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The active member contribution rate for the year ended June 30, 2014, was 9.4% of creditable earnings. The same contribution rate applies to members whose first contributing service is on or after January 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4% for the years ended June 30, 2013 and 2012.

The State of Illinois makes contributions directly to TRS on behalf of the Regional Office of Education #2's TRS-covered employees.

ON BEHALF CONTRIBUTIONS TO TRS

The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #2. For the year ended June 30, 2014, the State of Illinois contributions were based on 35.41 percent of creditable earnings not paid from federal funds, and the Regional Office of Education #2 recognized revenue and expenditures of \$130,314 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2013 and June 30, 2012, the contribution rates were 28.05 percent (\$118,146) and 24.91 percent (\$95,709), respectively.

The Regional Office of Education #2 makes other types of employer contributions directly to TRS.

2.2 FORMULA CONTRIBUTIONS

Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ending June 30, 2014 were \$1,066. Contributions for the years ending June 30, 2013, and June 30, 2012, were \$1,785 and \$1,608, respectively.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2014

4 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

FEDERAL AND SPECIAL TRUST FUND CONTRIBUTIONS

When TRS members are paid from federal and special trust funds administered by the Regional Office of Education #2, there is a statutory requirement for the Regional Office of Education #2 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2014, the employer pension contribution was 35.41 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2013 and 2012, the employer pension contribution was 28.05 and 24.91 percent, respectively. For the year ended June 30, 2014, salaries totaling \$14,928 were paid from federal and special trust funds that required employer contributions of \$5,286. For the years ended June 30, 2013 and June 30, 2012, required Regional Office of Education #2 contributions were \$23,094 and \$20,738, respectively.

EARLY RETIREMENT OPTION (ERO)

The Regional Office of Education #2 is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member.

The maximum employer ERO contribution under the current program is 146.5 percent and applies when the member is age 55 at retirement.

For the years ended June 30, 2014, 2013, and 2012, the Regional Office of Education #2 paid no employer contributions under the ERO program.

SALARY INCREASES OVER 6 PERCENT AND EXCESS SICK LEAVE

If the Regional Office of Education #2 grants salary increases over 6 percent and those salaries are used to calculate a retiree's final average salary, the Regional Office of Education #2 makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases of up to 6 percent.

For the years ended June 30, 2014, 2013 and 2012, the Regional Office of Education #2 paid no employer contributions due on salary increases in excess of 6 percent to TRS.

If the Regional Office of Education #2 grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the Regional Office of Education #2 makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary rate reported by the granting employer during the four-year sick leave review period, and the TRS total normal cost rate (17.29 percent of salary during the year ended June 30, 2014).

For the years ended June 30, 2014, 2013 and 2012, the Regional Office of Education #2 paid no employer contributions to TRS for sick leave days granted in excess of normal annual allotment.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2014

4 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

FURTHER INFORMATION ON TRS

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and State funding requirements can be found in the TRS Comprehensive Annual Financial Report for the year ended June 30, 2013. The report for the year ended June 30, 2014, is expected to be available in late 2014.

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

5 TEACHER HEALTH INSURANCE SECURITY FUND

The Regional Office of Education #2 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the State administered participating provider option plan or choose from several managed care options. Beginning February 1, 2014, annuitants who were enrolled in Medicare Parts A and B may be eligible to enroll in Medicare Advantage plans.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the State to make a contribution to THIS Fund.

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

ON BEHALF CONTRIBUTIONS TO THIS FUND

The State of Illinois makes employer retiree health insurance contributions on behalf of the Regional Office of Education #2. State contributions are intended to match contributions to the THIS Fund from active members which were 0.97 percent of pay during the year ended June 30, 2014. State of Illinois contributions were \$1,783, and the Regional Office of Education #2 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2013 and June 30, 2012 were 0.92 and 0.88 percent of pay, respectively. State contributions on behalf of the Regional Office of Education #2 employees were \$2,831 and \$2,440, respectively.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2014

5 TEACHER HEALTH INSURANCE SECURITY FUND (Continued)

EMPLOYER CONTRIBUTIONS TO THIS FUND

The Regional Office of Education #2 also makes contributions to THIS Fund. The Regional Office of Education #2's TRS Fund contribution was 0.72 percent during the year ended June 30, 2014, and 0.69 and 0.66 percent during the years ended June 30, 2013 and June 30, 2012, respectively. For the year ended June 30, 2014, the Regional Office of Education #2 paid \$1,324 to the THIS Fund. For the years ended June 30, 2013 and 2012, the Regional Office of Education #2 paid \$2,124 and \$1,830, respectively, which was 100 percent of the required contribution.

FURTHER INFORMATION ON THIS FUND

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General: <http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>. The current report is listed under "Central Management Services." Prior reports are available under "Healthcare and Family Services."

6 ON BEHALF PAYMENTS

The State of Illinois paid the following salaries and benefits on behalf of the Regional Office of Education #2:

Regional Superintendent Salary	\$ 104,784
Regional Superintendent Fringe Benefit (Includes State paid insurance)	22,290
Assistant Regional Superintendent Salary	94,320
Assistant Regional Superintendent Fringe Benefit (Includes State paid insurance)	21,663
Contributions to TRS and THIS	<u>132,097</u>
Total	<u><u>\$ 375,154</u></u>

Salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education. These amounts have been recorded in the accompanying financial statements as State revenue and expenditures.

7 RISK MANAGEMENT

The Regional Office of Education #2 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Regional Office of Education #2 has purchased commercial insurance to cover these risks. During the year ended June 30, 2014, there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2014

8 CAPITAL ASSETS

In accordance with GASB Statement No. 34, the Regional Office of Education #2 has reported capital assets in the government-wide Statement of Net Position. Purchases are reported as capital outlay in the governmental fund statements. The following table provides a summary of changes in capital assets for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
General Fund				
General State Aid	\$ 17,817	\$ -	\$ 12,786	\$ 5,031
Office Fund	6,193	-	6,193	-
Director's Fund	13,083	-	13,083	-
Total for General Fund	<u>37,093</u>	<u>-</u>	<u>32,062</u>	<u>5,031</u>
Education Fund				
Adult Education - Federal Basic	29,570	-	29,570	-
Adult Education - General Revenue	110,273	-	3,079	107,194
Adult Education - Performance	74,148	-	57,069	17,079
Adult Education - Public Assistance	7,001	-	7,001	-
Adult Education - State 3-1	72,854	-	69,578	3,276
Area 6 Tech Hub	1,399	-	1,399	-
Breakfast Grant	548	-	548	-
Federal Special Ed - IDEA				
Discretionary	3,286	-	3,286	-
Regional Safe Schools	20,617	-	20,617	-
ROE/ISC Operations	302,299	-	5,600	296,699
SOS FY05 Title V	2,949	-	2,949	-
SOS Title II	4,995	-	4,995	-
RESPRO Title I	8,378	-	8,378	-
State Aid - Federal ARRA	8,391	-	5,592	2,799
Title IV - School & Drug Free/ Violence Prevention	3,873	-	3,873	-
Total for Education Fund	<u>650,581</u>	<u>-</u>	<u>223,534</u>	<u>427,047</u>
Other Non-Major Funds				
General Education Development	-	5,261	-	5,261
Total for Other Non-Major Funds	<u>-</u>	<u>5,261</u>	<u>-</u>	<u>5,261</u>
Total - Governmental Funds	687,674	5,261	255,596	437,339
Less: Accumulated Depreciation	<u>600,920</u>	<u>20,503</u>	<u>219,786</u>	<u>401,637</u>
Investment in Capital Assets, Net Governmental Activities	<u>\$ 86,754</u>	<u>\$ (15,242)</u>	<u>\$ 35,810</u>	<u>\$ 35,702</u>
Business-Type Activities:				
Workshops Fund	\$ 14,320	\$ -	\$ 14,320	\$ -
Less: Accumulated Depreciation	<u>13,170</u>	<u>383</u>	<u>13,553</u>	<u>-</u>
Investment in Capital Assets, Net	<u>\$ 1,150</u>	<u>\$ (383)</u>	<u>\$ 767</u>	<u>\$ -</u>

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2014

8 CAPITAL ASSETS (Continued)

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense of \$20,503 and \$383 was charged to the governmental activities - instructional services and business-type activities, respectively. Investment in capital assets is the component of net position that reports capital assets net of accumulated depreciation.

9 DISTRIBUTIVE FUND INTEREST

A written agreement between the Regional Office of Education #2's school boards, which receive funds through the Regional Office of Education #2, provides for the retention of interest earned on the State Distributive Fund checking account by the Regional Superintendent to be used for the benefit of all of the districts in the region. During the year the distributive fund earned interest of \$3,785. At June 30, 2014 all accumulated interest had been distributed.

10 OTHER POSTEMPLOYMENT COMMITMENTS

The Regional Office of Education #2 has evaluated its potential other post employment benefits liability. Based on this evaluation, the Regional Office of Education #2 determined that they offer no health insurance plan for current or former employees. Therefore, there has been zero percent utilization and therefore no implicit subsidy to calculate in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other than Pensions*. Therefore, the Regional Office of Education #2 has not recorded any post employment benefit liability as of June 30, 2014.

11 LONG-TERM LIABILITIES

COMPENSATED ABSENCES

Vacation pay and sick pay are considered expenditures in the year paid. An employee may accumulate an unlimited number of vacation days for use in future years; however, upon termination, with a few exceptions, employees will only be paid a maximum of twenty days. At June 30, 2014, the liability for unused vacation days was \$7,352, and is shown on the Statement of Net Position. The net decrease in the amount of vacation pay that was earned by the Regional Office of Education #2's employees in the current year was \$6,399. Accumulated sick pay benefits are available to all full-time employees to use in future years. Unused sick pay is limited to a maximum of 48 days. Upon termination, the employee is not compensated for any unused sick days; therefore, no accruals or reserves have been established.

ILLINOIS MUNICIPAL RETIREMENT FUND NET PENSION OBLIGATION

The Regional Office of Education #2 reported a net pension obligation of \$320 at June 30, 2014 with the Illinois Municipal Retirement Fund. The entire amount of \$320 is recorded in the governmental activities. The Regional Office of Education #2 reported a net pension obligation of \$52,510 at June 30, 2013 with the Illinois Municipal Retirement Fund. Of this amount, \$47,693 was recorded in the governmental activities, and \$4,817 was recorded in the business-type activities. The net decrease in the net pension obligation in the current year was \$47,373 for governmental activities and \$4,817 for business-type activities. See Note #3 for additional information regarding the Illinois Municipal Retirement Fund defined benefit pension plan.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2014

12 INTERFUND ACTIVITY

DUE TO/FROM OTHER FUNDS

Interfund due to/from other fund balances at June 30, 2014 consist of the following individual due to/from other funds in the governmental fund Balance Sheet and proprietary fund Statement of Net Position. These balances were eliminated in the government-wide Statement of Net Position. Interfund loans were made for the purpose of providing cash to funds that were awaiting reimbursements from grantors.

Fund	Due From Other Funds	Due To Other Funds
General Fund		
General State Aid	\$ 15,203	\$ 1,764
Director's Fund	107,769	15,203
Special Revenue Funds		
Nonmajor Special Revenue Funds		
Bus Driver Permit	-	6,005
Education Fund		
McKinney Education for Homeless Children	-	17,539
Miscellaneous		100
Regional Safe Schools	-	13,008
System of Support Title I - School Improvement and Accountability	-	21,831
Truants Alternative/Optional Education	-	27,471
Adult Education - General Revenue	-	5,936
Adult Education - Performance	-	3,900
Adult Education - Public Assistance	-	1,030
Adult Education - State 3-1	-	4,571
Enterprise Funds		
Workshops Fund	-	4,614
Total	<u>\$ 122,972</u>	<u>\$ 122,972</u>

13 DUE TO/FROM OTHER GOVERNMENTS

The Regional Office of Education #2's Education Fund, General Fund, Proprietary Fund, Agency Fund and various grant programs have funds due from/to various other governmental units which consist of the following:

Due from Other Governments:

General Fund	
Local Governments	\$ 48,117
Special Revenue Fund - Education Fund	
Local Governments	25,182
Illinois State Board of Education	58,128
Illinois Community College Board	9,500

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2014

13 DUE TO/FROM OTHER GOVERNMENTS (Continued)

Proprietary Fund	
Local Governments	\$ 550
Fiduciary Fund - Distributive Fund	
Local Governments	<u>169,644</u>
Total	<u>\$ 311,121</u>

Due to Other Governments:

General Fund	
Local Governments	\$ 7,289
Fiduciary Fund - Distributive Fund	
Local School Districts	<u>169,852</u>
Total	<u>\$ 177,141</u>

14 DUE FROM DISTRIBUTIVE FUND

At June 30, 2014, the primary government had a balance due from the Distributive Fund of \$467,247. The purpose of this loan was to provide a reserve for the Distributive Fund when making payments to other school districts.

15 OTHER REQUIRED FUND DISCLOSURES

Deficit fund balances at June 30, 2014, are as follows:

Special Revenue Funds	
Education Fund	
Adult Education - General Revenue	\$ (2,585)
System of Support Title I - School Improvement and Accountability	(21,831)
Nonmajor Special Revenue Funds	
Bus Driver Permit	(6,240)
Proprietary Fund	
Workshops Fund	(4,064)

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2014

16 SCHEDULE OF TRANSFERS

During the year ended June 30, 2014, the Regional Office of Education #2 reported the following transfers:

Fund	Transfers In	Transfers Out
Workshops Fund	\$ 4,817	\$ -
General State Aid	-	4,817
	\$ 4,817	\$ 4,817

17 RESTATEMENT OF BEGINNING NET POSITION

The beginning net position on the Statement of Activities was adjusted to reflect the correction of an error. A due to other governments was recorded to the Proprietary Fund - Workshops Fund in the amount of \$680 at June 30, 2013. However, this due to other governments should have been recorded to the Nonmajor Special Revenue Fund - General Education Development at June 30, 2013. As such, the governmental activities beginning net position was increased by \$680 and the business-type activities beginning net position was decreased by the same amount in the Statement of Activities for the year ended June 30, 2014. Beginning net position on the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds was also decreased by \$680.

18 PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. The statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

19 REGIONAL OFFICE OF EDUCATION CONSOLIDATION

As a result of Public Act 97-703, the State of Illinois will reduce the number of regional offices of education through consolidation. The Regional Office of Education #2 has agreements in place that combine Johnson, Massac, Franklin, and Williamson counties into a new region and Alexander, Pulaski, Union, Jackson, and Perry counties into a new region beginning July 1, 2015.

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS
(UNAUDITED)

JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/13	\$ 669,719	\$ 822,791	\$ 153,072	81.40%	\$ 269,148	56.87%
12/31/12	754,563	955,053	200,490	79.01%	328,645	61.01%
12/31/11	985,463	1,137,872	152,409	86.61%	347,225	43.89%

On a market value basis, the actuarial value of assets as of December 31, 2013 is \$901,857. On a market basis, the funded ratio would be 109.61%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

See accompanying Independent Auditors' Report.

SUPPLEMENTAL INFORMATION

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND

JUNE 30, 2014

	General State Aid	Office Fund	Director's Fund	Total
Assets				
Cash and cash equivalents	\$ 1,007,897	\$ -	\$ -	\$ 1,007,897
Investments	343,008	-	-	343,008
Due from other funds	15,203	-	107,769	122,972
Due from Distributive Fund	467,247	-	-	467,247
Due from other governments				
Local	15,281	32,836	-	48,117
State	-	-	-	-
Total assets	<u>\$ 1,848,636</u>	<u>\$ 32,836</u>	<u>\$ 107,769</u>	<u>\$ 1,989,241</u>
Liabilities				
Accounts payable	\$ 3,400	\$ -	\$ -	\$ 3,400
Due to other funds	1,764	-	15,203	16,967
Due to other governments	-	-	7,289	7,289
Total liabilities	<u>5,164</u>	<u>-</u>	<u>22,492</u>	<u>27,656</u>
Deferred inflows of resources				
Unavailable revenue	-	12,836	-	12,836
Fund balance				
Assigned	1,843,472	20,000	-	1,863,472
Unassigned	-	-	85,277	85,277
Total fund balance	<u>1,843,472</u>	<u>20,000</u>	<u>85,277</u>	<u>1,948,749</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,848,636</u>	<u>\$ 32,836</u>	<u>\$ 107,769</u>	<u>\$ 1,989,241</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS

For the Year Ended June 30, 2014

	General State Aid	Office Fund	Director's Fund	Total
Revenues				
Local sources	\$ 29,262	\$ 20,000	\$ 4,338	\$ 53,600
State sources	323,841	-	-	323,841
State sources-payments made on behalf of region	-	-	375,154	375,154
Total revenues	353,103	20,000	379,492	752,595
Expenditures				
Salaries and benefits	419,063	18,515	-	437,578
Purchased services	110,870	16,114	39,170	166,154
Supplies and materials	80,470	7,247	5,140	92,857
Payments to other governments	556,005	-	-	556,005
Payments made on behalf of region	-	-	375,154	375,154
Total expenditures	1,166,408	41,876	419,464	1,627,748
Excess (deficiency) of revenues over (under) expenditures	(813,305)	(21,876)	(39,972)	(875,153)
Other financing sources (uses)				
Transfers out	(4,817)	-	-	(4,817)
Interest	9,355	19	3,222	12,596
Total other financing sources (uses)	4,538	19	3,222	7,779
Net change in fund balances	(808,767)	(21,857)	(36,750)	(867,374)
Fund balance - beginning	2,652,239	41,857	122,027	2,816,123
Fund balance - ending	\$ 1,843,472	\$ 20,000	\$ 85,277	\$ 1,948,749

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND

JUNE 30, 2014

	Adult Education	McKinney Education for Homeless Children	Miscellaneous Grant Funds	Regional Safe Schools
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Due from other governments				
Local	3,351	-	-	-
State	9,501	17,539	100	13,014
	<u>12,852</u>	<u>17,539</u>	<u>100</u>	<u>13,014</u>
Total assets	<u>\$ 12,852</u>	<u>\$ 17,539</u>	<u>\$ 100</u>	<u>\$ 13,014</u>
Liabilities				
Due to other funds	\$ 15,437	\$ 17,539	\$ 100	\$ 13,008
Unearned revenue	-	-	-	6
	<u>15,437</u>	<u>17,539</u>	<u>100</u>	<u>13,014</u>
Total liabilities	<u>15,437</u>	<u>17,539</u>	<u>100</u>	<u>13,014</u>
Deferred inflows of resources				
Unavailable revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit)				
Restricted	-	-	-	-
Unassigned	(2,585)	-	-	-
	<u>(2,585)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance (deficit)	<u>(2,585)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows, and fund balance (deficit)	<u>\$ 12,852</u>	<u>\$ 17,539</u>	<u>\$ 100</u>	<u>\$ 13,014</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND

JUNE 30, 2014

	ROE/ISC Operations	Secretary of State Adult Volunteer Literacy	Service Fund	System of Support Title I - School Improvement and Accountability	Title I Migrant Education
Assets					
Cash and cash equivalents	\$ -	\$ 39	\$ 7,220	\$ -	\$ -
Due from other governments					
Local	-	-	-	21,831	-
State	-	-	-	-	-
Total assets	\$ -	\$ 39	\$ 7,220	\$ 21,831	\$ -
Liabilities					
Due to other funds	\$ -	\$ -	\$ -	\$ 21,831	\$ -
Unearned revenue	-	39	2,800	-	-
Total liabilities	-	39	2,800	21,831	-
Deferred inflows of resources					
Unavailable revenue	-	-	-	21,831	-
Fund balance (deficit)					
Restricted	-	-	4,420	-	-
Unassigned	-	-	-	(21,831)	-
Total fund balance (deficit)	-	-	4,420	(21,831)	-
Total liabilities, deferred inflows, and fund balance (deficit)	\$ -	\$ 39	\$ 7,220	\$ 21,831	\$ -

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND

JUNE 30, 2014

	Title I Migrant Incentive Grant	Title II Teacher Quality Leadership Grant	Truants Alternative/ Optional Education	Total
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 7,259
Due from other governments				
Local	-	-	-	25,182
State	-	-	27,474	67,628
Total assets	\$ -	\$ -	\$ 27,474	\$ 100,069
Liabilities				
Due to other funds	\$ -	\$ -	\$ 27,471	\$ 95,386
Unearned revenue	-	-	3	2,848
Total liabilities	-	-	27,474	98,234
Deferred inflows of resources				
Unavailable revenue	-	-	-	21,831
Fund balance (deficit)				
Restricted	-	-	-	4,420
Unassigned	-	-	-	(24,416)
Total fund balance (deficit)	-	-	-	(19,996)
Total liabilities, deferred inflows, and fund balance (deficit)	\$ -	\$ -	\$ 27,474	\$ 100,069

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS

For the Year Ended June 30, 2014

	Adult Education	McKinney Education for Homeless Children	Miscellaneous Grant Funds	Regional Safe Schools
Revenues				
Local sources	\$ 18,925	\$ -	\$ 2,200	\$ -
State sources	113,999	-	-	52,053
Federal sources	49,153	18,500	-	-
Total revenues	<u>182,077</u>	<u>18,500</u>	<u>2,200</u>	<u>52,053</u>
Expenditures				
Salaries and benefits	164,141	843	-	-
Purchased services	5,573	12	2,200	-
Supplies and materials	10,341	14,219	-	19
Payments to other governments	3,997	3,426	-	52,053
Total expenditures	<u>184,052</u>	<u>18,500</u>	<u>2,200</u>	<u>52,072</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,975)</u>	<u>-</u>	<u>-</u>	<u>(19)</u>
Other financing sources:				
Interest	-	-	-	19
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>19</u>
Net change in fund balances	(1,975)	-	-	-
Fund balance (deficit) - beginning	<u>(610)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) - ending	<u>\$ (2,585)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS

For the Year Ended June 30, 2014

	ROE/ISC Operations	Secretary of State Adult Volunteer Literacy	Service Fund	System of Support Title I - School Improvement & Accountability	Title I Migrant Education
Revenues					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	25,470	612	-	-	-
Federal sources	-	-	-	23,103	30,546
Total revenues	<u>25,470</u>	<u>612</u>	<u>-</u>	<u>23,103</u>	<u>30,546</u>
Expenditures					
Salaries and benefits	25,036	-	-	14,794	19,862
Purchased services	434	-	-	2,243	5,687
Supplies and materials	-	-	-	4,793	4,997
Payments to other governments	-	612	-	1	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>25,470</u>	<u>612</u>	<u>-</u>	<u>21,831</u>	<u>30,546</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,272</u>	<u>-</u>
Other financing sources:					
Interest	-	-	16	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>16</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>16</u>	<u>1,272</u>	<u>-</u>
Fund balance (deficit) - beginning	<u>-</u>	<u>-</u>	<u>4,404</u>	<u>(23,103)</u>	<u>-</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,420</u>	<u>\$ (21,831)</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS

For the Year Ended June 30, 2014

	Title I Migrant Incentive Grant	Title II Teacher Quality Leadership Grant	Truants Alternative/ Optional Education	Total
Revenues				
Local sources	\$ -	\$ -	\$ -	\$ 21,125
State sources	-	-	109,893	302,027
Federal sources	261	2,920	-	124,483
Total revenues	<u>261</u>	<u>2,920</u>	<u>109,893</u>	<u>447,635</u>
Expenditures				
Salaries and benefits	-	-	9,960	234,636
Purchased services	-	1,900	357	18,406
Supplies and materials	261	100	621	35,351
Payments to other governments	-	-	98,959	159,048
Capital outlay	-	-	-	-
Total expenditures	<u>261</u>	<u>2,000</u>	<u>109,897</u>	<u>447,441</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>920</u>	<u>(4)</u>	<u>194</u>
Other financing sources:				
Interest	-	-	4	39
Total other financing sources	<u>-</u>	<u>-</u>	<u>4</u>	<u>39</u>
Net change in fund balances	-	920	-	233
Fund balance (deficit) - beginning	<u>-</u>	<u>(920)</u>	<u>-</u>	<u>(20,229)</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (19,996)</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
ADULT EDUCATION PROGRAMS

JUNE 30, 2014

	Federal Basic	General Revenue	Performance	Public Assistance	Adult State 3-1	Total
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments						
Local	-	3,351	-	-	-	3,351
State	-	-	3,900	1,030	4,571	9,501
	<u>-</u>	<u>-</u>	<u>3,900</u>	<u>1,030</u>	<u>4,571</u>	<u>9,501</u>
Total assets	<u>\$ -</u>	<u>\$ 3,351</u>	<u>\$ 3,900</u>	<u>\$ 1,030</u>	<u>\$ 4,571</u>	<u>\$ 12,852</u>
Liabilities						
Due to other funds	\$ -	\$ 5,936	\$ 3,900	\$ 1,030	\$ 4,571	\$ 15,437
	<u>-</u>	<u>5,936</u>	<u>3,900</u>	<u>1,030</u>	<u>4,571</u>	<u>15,437</u>
Total liabilities	<u>-</u>	<u>5,936</u>	<u>3,900</u>	<u>1,030</u>	<u>4,571</u>	<u>15,437</u>
Deferred inflows of resources						
Unavailable revenue	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit)						
Unassigned	-	(2,585)	-	-	-	(2,585)
	<u>-</u>	<u>(2,585)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,585)</u>
Total fund balance (deficit)	<u>-</u>	<u>(2,585)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,585)</u>
Total liabilities, deferred inflows, and fund balance (deficit)	<u>\$ -</u>	<u>\$ 3,351</u>	<u>\$ 3,900</u>	<u>\$ 1,030</u>	<u>\$ 4,571</u>	<u>\$ 12,852</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
ADULT EDUCATION PROGRAMS

For the Year Ended June 30, 2014

	Federal Basic	General Revenue	Performance	Public Assistance	Adult State 3-1	Total
Revenues						
Local sources	\$ -	\$ 18,925	\$ -	\$ -	\$ -	\$ 18,925
State sources	-	-	46,795	12,355	54,849	113,999
Federal sources	49,153	-	-	-	-	49,153
Total revenues	<u>49,153</u>	<u>18,925</u>	<u>46,795</u>	<u>12,355</u>	<u>54,849</u>	<u>182,077</u>
Expenditures						
Salaries and benefits	42,694	11,197	45,535	11,961	52,754	164,141
Purchased services	1,976	246	1,175	307	1,869	5,573
Supplies and materials	4,483	5,460	85	87	226	10,341
Payments to other governments	-	3,997	-	-	-	3,997
Total expenditures	<u>49,153</u>	<u>20,900</u>	<u>46,795</u>	<u>12,355</u>	<u>54,849</u>	<u>184,052</u>
(Deficiency) of revenues (under) expenditures	<u>-</u>	<u>(1,975)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,975)</u>
Net change in fund balance	-	(1,975)	-	-	-	(1,975)
Fund balance (deficit) - beginning	-	(610)	-	-	-	(610)
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ (2,585)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,585)</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ADULT EDUCATION - FEDERAL BASIC

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 49,153	\$ 49,153	\$ 49,153
Total revenues	<u>49,153</u>	<u>49,153</u>	<u>49,153</u>
Expenditures			
Salaries and benefits	44,206	44,206	42,694
Purchased services	2,437	2,437	1,976
Supplies and materials	<u>2,510</u>	<u>2,510</u>	<u>4,483</u>
Total expenditures	<u>49,153</u>	<u>49,153</u>	<u>49,153</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance -beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ADULT EDUCATION - PERFORMANCE

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 46,795	\$ 46,795	\$ 46,795
Total revenue	<u>46,795</u>	<u>46,795</u>	<u>46,795</u>
Expenditures			
Salaries and benefits	45,154	45,154	45,535
Purchased services	1,641	1,641	1,175
Supplies and materials	-	-	85
Total expenditures	<u>46,795</u>	<u>46,795</u>	<u>46,795</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ADULT EDUCATION - PUBLIC ASSISTANCE

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 12,355	\$ 12,355	\$ 12,355
Total revenue	<u>12,355</u>	<u>12,355</u>	<u>12,355</u>
Expenditures			
Salaries and benefits	11,926	11,926	11,961
Purchased services	429	429	307
Supplies and materials	-	-	87
Total expenditures	<u>12,355</u>	<u>12,355</u>	<u>12,355</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ADULT EDUCATION - STATE 3-1

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 54,849	\$ 54,849	\$ 54,849
Total revenue	<u>54,849</u>	<u>54,849</u>	<u>54,849</u>
Expenditures			
Salaries and benefits	52,920	52,920	52,754
Purchased services	1,929	1,929	1,869
Supplies and materials	-	-	226
Total expenditures	<u>54,849</u>	<u>54,849</u>	<u>54,849</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
MCKINNEY EDUCATION FOR HOMELESS CHILDREN

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
Federal sources	\$ 18,500	\$ 18,500	\$ 18,500
Total revenues	<u>18,500</u>	<u>18,500</u>	<u>18,500</u>
Expenditures			
Salaries and benefits	844	844	843
Purchased services	1,341	1,341	12
Supplies and materials	12,250	12,250	14,219
Payments to other governments	<u>4,065</u>	<u>4,065</u>	<u>3,426</u>
Total expenditures	<u>18,500</u>	<u>18,500</u>	<u>18,500</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
REGIONAL SAFE SCHOOLS

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 52,053	\$ 52,053	\$ 52,053
Total revenue	<u>52,053</u>	<u>52,053</u>	<u>52,053</u>
Expenditures			
Salaries and benefits	150	150	-
Purchased services	50	50	-
Supplies and materials	49	49	19
Payments to other governments	51,804	51,804	52,053
Total expenditures	<u>52,053</u>	<u>52,053</u>	<u>52,072</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(19)</u>
Other Financing Sources			
Interest	<u>-</u>	<u>-</u>	<u>19</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ROE/ISC OPERATIONS

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 25,470	\$ 25,470	\$ 25,470
Total revenue	<u>25,470</u>	<u>25,470</u>	<u>25,470</u>
Expenditures			
Salaries and benefits	24,373	24,373	25,036
Purchased services	1,097	1,097	434
Total expenditures	<u>25,470</u>	<u>25,470</u>	<u>25,470</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
SYSTEM OF SUPPORT - TITLE I SCHOOL IMPROVEMENT AND ACCOUNTABILITY

For the Year Ended June 30, 2014

	Budgeted Amounts		FY13	FY14	Actual Amounts
	Original	Final			
Revenue					
Federal sources	\$ 41,723	\$ 41,723	\$ 23,103	\$ -	\$ 23,103
Total revenue	<u>41,723</u>	<u>41,723</u>	<u>23,103</u>	<u>-</u>	<u>23,103</u>
Expenditures					
Salaries and benefits	28,312	28,312	-	14,794	14,794
Purchased services	8,403	8,403	-	2,243	2,243
Supplies and materials	5,008	5,008	-	4,793	4,793
Payments to other governments	-	-	-	1	1
Total expenditures	<u>41,723</u>	<u>41,723</u>	<u>-</u>	<u>21,831</u>	<u>21,831</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>23,103</u>	<u>(21,831)</u>	<u>1,272</u>
Net change in fund balance	-	-	23,103	(21,831)	1,272
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,103)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,103</u>	<u>\$ (21,831)</u>	<u>\$ (21,831)</u>

Note: The budgeted amounts presented above are for the fiscal year 2014 program only. Fiscal year 2013 actual amounts are presented for additional information only.

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE I - MIGRANT EDUCATION

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
Federal sources	\$ 45,719	\$ 46,578	\$ 30,546
Total revenue	<u>45,719</u>	<u>46,578</u>	<u>30,546</u>
Expenditures			
Salaries and benefits	32,428	33,405	19,862
Purchased services	7,955	8,039	5,687
Supplies and materials	5,336	5,134	4,997
Total expenditures	<u>45,719</u>	<u>46,578</u>	<u>30,546</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE I - MIGRANT INCENTIVE GRANT

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
Federal sources	\$ 2,500	\$ 2,500	\$ 261
Total revenue	<u>2,500</u>	<u>2,500</u>	<u>261</u>
Expenditures			
Supplies and materials	<u>2,500</u>	<u>2,500</u>	<u>261</u>
Total expenditures	<u>2,500</u>	<u>2,500</u>	<u>261</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE II - TEACHER QUALITY - LEADERSHIP GRANT

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
Federal sources	\$ 5,045	\$ 5,045	\$ 2,920
Total revenue	<u>5,045</u>	<u>5,045</u>	<u>2,920</u>
Expenditures			
Purchased services	4,800	4,800	1,900
Supplies and materials	245	245	100
Total expenditures	<u>5,045</u>	<u>5,045</u>	<u>2,000</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>920</u>
Net change in fund balance	-	-	920
Fund balance (deficit)- beginning	<u>-</u>	<u>-</u>	<u>(920)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TRUANTS ALTERNATIVE/OPTIONAL EDUCATION

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 109,893	\$ 109,893	\$ 109,893
Total revenue	<u>109,893</u>	<u>109,893</u>	<u>109,893</u>
Expenditures			
Salaries and benefits	7,389	9,758	9,960
Purchased services	801	569	357
Supplies and materials	50	50	621
Payments to other governments	101,653	99,516	98,959
Total expenditures	<u>109,893</u>	<u>109,893</u>	<u>109,897</u>
(Deficiency) of revenues (under) expenditures	<u>-</u>	<u>-</u>	<u>(4)</u>
Other Financing Sources			
Interest	<u>-</u>	<u>-</u>	<u>4</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>4</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2014

	Institute	Bus Driver Permit	General Education Development	Total
Assets				
Cash and cash equivalents	\$ 14,560	\$ -	\$ 4,404	\$ 18,964
Total assets	<u>\$ 14,560</u>	<u>\$ -</u>	<u>\$ 4,404</u>	<u>\$ 18,964</u>
Liabilities and fund balance (deficit)				
Liabilities				
Accounts payable	\$ -	\$ 235	\$ -	\$ 235
Due to other funds	-	6,005	-	6,005
Unearned revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>6,240</u>	<u>-</u>	<u>6,240</u>
Fund balance (deficit)				
Restricted	14,560	-	4,404	18,964
Unassigned	-	(6,240)	-	(6,240)
Total fund balance (deficit)	<u>14,560</u>	<u>(6,240)</u>	<u>4,404</u>	<u>12,724</u>
Total liabilities and fund balance (deficit)	<u>\$ 14,560</u>	<u>\$ -</u>	<u>\$ 4,404</u>	<u>\$ 18,964</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2014

	Institute	Bus Driver Permit	General Education Development	Total
Revenues				
Local sources	\$ 9,471	\$ 1,512	\$ 3,633	\$ 14,616
State sources	-	850	1,890	2,740
Total revenues	<u>9,471</u>	<u>2,362</u>	<u>5,523</u>	<u>17,356</u>
Expenditures				
Salaries and benefits	-	2,413	1,258	3,671
Purchased services	13,839	661	1,204	15,704
Supplies and materials	213	-	1,671	1,884
Capital outlay	-	-	5,261	5,261
Total expenditures	<u>14,052</u>	<u>3,074</u>	<u>9,394</u>	<u>26,520</u>
(Deficiency) of revenues (under) expenditures	<u>(4,581)</u>	<u>(712)</u>	<u>(3,871)</u>	<u>(9,164)</u>
Other financing sources				
Interest	20	-	7	27
Total other financing sources	<u>20</u>	<u>-</u>	<u>7</u>	<u>27</u>
Net change in fund balance (deficit)	(4,561)	(712)	(3,864)	(9,137)
Fund balance (deficit) - beginning (restated) - see Note 15	<u>19,121</u>	<u>(5,528)</u>	<u>8,268</u>	<u>21,861</u>
Fund balance (deficit) - ending	<u>\$ 14,560</u>	<u>\$ (6,240)</u>	<u>\$ 4,404</u>	<u>\$ 12,724</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND

For the Year Ended June 30, 2014

<u>Distributive Fund</u>	<u>Balance 6/30/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2014</u>
Assets				
Cash and cash equivalents	\$ 60,843	\$ 21,739,823	\$ 21,333,211	\$ 467,455
Due from other governments	2,833,118	169,644	2,833,118	169,644
Total Assets	<u>\$ 2,893,961</u>	<u>\$ 21,909,467</u>	<u>\$ 24,166,329</u>	<u>\$ 637,099</u>
Liabilities				
Due to primary government	\$ -	\$ 467,247	\$ -	\$ 467,247
Due to other governments	2,893,961	21,442,220	24,166,329	169,852
Total Liabilities	<u>\$ 2,893,961</u>	<u>\$ 21,909,467</u>	<u>\$ 24,166,329</u>	<u>\$ 637,099</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
DISTRIBUTIVE FUND
For the Year Ended June 30, 2014

Program Description	Program Number	Cairo SD #1	Egyptian CUSD 5	Goreville CUD 1	New Simpson Hill CD 32	Buncombe CSD	Cypress School #64	Janet Ulrich Reg. Supt. of Schools	Vienna Grade School Dist 55
General State Aid - Sec. 18-8	3001	\$ 2,973,325	\$ -	\$ 1,030,117	\$ 778,896	\$ -	\$ 190,035	\$ -	\$ -
Sp. Ed. - Private Facility Tuition	3100	-	-	-	-	-	-	-	-
Sp. Ed. - Funding for Children Req. Serv.	3105	74,186	17,818	55,666	33,308	-	8,055	-	-
Sp. Ed. - Personnel	3110	115,662	31,875	72,251	34,925	-	7,150	-	-
Sp. Ed. - Orphanage - Individual	3120	16,207	-	-	2,158	-	-	-	-
Sp. Ed. - Summer School	3145	-	-	-	-	-	-	-	-
Agriculture Education	3235	-	-	1,988	-	-	-	-	-
Bilingual Ed. - Downstate - TPI & TBE	3305	-	-	-	-	-	-	-	-
State Free Lunch & Breakfast	3360	5,441	296	983	579	-	287	69	-
Driver Education	3370	3,915	1,584	5,074	-	-	-	-	-
Transportation - Regular	3500	111,960	38,567	219,065	133,541	-	33,657	-	-
Transportation - Special Education	3510	51,704	6,315	10,898	35,704	-	4,970	-	-
ROE School Bus Driver Training	3520	-	-	-	-	-	-	850	-
Truants Alternative/Optional Ed.	3695	4,557	-	-	-	-	-	-	-
Regional Safe Schools	3696	-	-	-	-	-	-	-	-
Early Childhood - State Preschool at Risk	3705	393,069	27,760	224,078	75,103	-	25,072	-	-
ROE/ISC Operations	3730	-	-	-	-	-	-	-	-
Title VI - Rural Education Initiative	4107	-	-	-	-	-	-	-	-
National School Lunch Program	4210	212,631	-	38,360	26,749	-	8,127	-	-
School Milk Program	4215	2,023	-	-	-	-	-	-	-
School Breakfast Program	4220	107,147	-	12,309	7,208	-	3,439	-	-
Fresh Fruits and Vegetables	4240	10,423	-	-	-	-	-	-	-
IASA - Title I - Low Income	4300	653,130	-	80,965	9,893	-	15,435	-	-
IASA - Title I - School Improvement	4331	-	-	-	-	-	-	-	-
Title I Migrant Education	4340	-	-	-	-	-	-	46,578	-
Title I Migrant Incentive Grant	4341	-	-	-	-	-	-	2,500	-
Title IV - 21 Century CLC	4421	-	-	-	-	-	-	-	-
Fed Sp. Ed. - Preschool Flow Through	4600	-	-	-	-	-	-	-	-
Fed Sp. Ed. - IDEA - Flow Through	4620	-	-	-	-	-	-	-	-
Fed Sp. Ed. - IDEA - Room & Board	4625	-	-	-	-	-	-	-	-
Title II - Teacher Quality	4932	120,939	-	15,182	5,902	-	-	3,045	-
Title II - Teacher Quality Leadership	4935	-	-	-	-	-	-	9,900	-
National Forest Reserve	N/A	11	201	22	131	14	-	-	47
Interest	N/A	-	-	-	-	-	-	3,785	-
		<u>\$ 4,856,330</u>	<u>\$ 124,416</u>	<u>\$ 1,766,958</u>	<u>\$ 1,144,097</u>	<u>\$ 14</u>	<u>\$ 296,227</u>	<u>\$ 66,727</u>	<u>\$ 47</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
DISTRIBUTIVE FUND
For the Year Ended June 30, 2014

Program Description	Program Number	Massac UD 1	Joppa-Maple Grove UD 38	Meridian CUSD #101	Lick Creek CCSD #16	Cobden SUD 17	Anna School Dist #37	Jonesboro CCSD #43	Anna-Jonesboro CHSD #81
General State Aid - Sec. 18-8	3001	\$ 737,720	\$ 33,308	\$ 1,803,844	\$ 140,478	\$ 1,975,932	\$ 2,305,936	\$ -	\$ 1,360,322
Sp. Ed. - Private Facility Tuition	3100	6,080	-	-	-	-	-	-	-
Sp. Ed. - Funding for Children Req. Serv.	3105	76,731	9,470	63,185	8,361	80,777	97,631	13,545	65,157
Sp. Ed. - Personnel	3110	79,592	10,164	76,014	5,040	92,077	113,103	9,800	43,432
Sp. Ed. - Orphanage - Individual	3120	-	-	-	3,869	-	12,636	-	20,757
Sp. Ed. - Summer School	3145	-	-	-	-	1,140	1,890	-	-
Agriculture Education	3235	-	-	621	-	849	-	-	1,139
Bilingual Ed. - Downstate - TPI & TBE	3305	-	-	-	-	3,585	-	-	-
State Free Lunch & Breakfast	3360	1,167	374	4,270	158	2,901	2,902	228	731
Driver Education	3370	6,285	904	3,097	-	7,027	-	-	15,630
Transportation - Regular	3500	87,856	23,718	147,194	17,686	111,282	42,011	8,394	60,450
Transportation - Special Education	3510	66,502	4,497	40,857	4,398	111,347	51,185	10,325	12,006
ROE School Bus Driver Training	3520	-	-	-	-	-	-	-	-
Truants Alternative/Optional Ed.	3695	-	-	-	-	-	-	-	-
Regional Safe Schools	3696	-	-	-	-	-	-	-	-
Early Childhood - State Preschool at Risk	3705	-	14,758	165,488	27,196	90,352	105,846	-	-
ROE/ISC Operations	3730	-	-	-	-	-	-	-	-
Title VI - Rural Education Initiative	4107	3,088	-	-	-	-	8,908	-	-
National School Lunch Program	4210	-	-	121,580	5,490	96,672	113,991	-	29,015
School Milk Program	4215	-	-	-	-	-	-	-	-
School Breakfast Program	4220	-	-	41,925	2,431	27,842	40,438	-	6,944
Fresh Fruits and Vegetables	4240	-	-	5,177	-	-	-	-	-
IASA - Title I - Low Income	4300	115,530	117,523	243,583	17,584	96,297	229,565	-	72,340
IASA - Title I - School Improvement	4331	-	-	-	-	-	-	-	-
Title I Migrant Education	4340	-	-	-	-	-	-	-	-
Title I Migrant Incentive Grant	4341	-	-	-	-	-	-	-	-
Title IV - 21 Century CLC	4421	-	-	97,545	-	-	-	-	-
Fed Sp. Ed. - Preschool Flow Through	4600	6,562	-	-	-	-	-	-	-
Fed Sp. Ed. - IDEA - Flow Through	4620	112,345	-	-	-	-	-	-	-
Fed Sp. Ed. - IDEA - Room & Board	4625	10,684	-	-	-	-	-	-	-
Title II - Teacher Quality	4932	2,217	8,736	34,830	5,000	26,225	63,301	-	19,145
Title II - Teacher Quality Leadership	4935	-	-	-	-	-	-	-	-
National Forest Reserve	N/A	30	-	-	34	113	-	59	-
Interest	N/A	-	-	-	-	-	-	-	-
		<u>\$ 1,312,389</u>	<u>\$ 223,452</u>	<u>\$ 2,849,210</u>	<u>\$ 237,725</u>	<u>\$ 2,724,418</u>	<u>\$ 3,189,343</u>	<u>\$ 42,351</u>	<u>\$ 1,707,068</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
DISTRIBUTIVE FUND
For the Year Ended June 30, 2014

Program Description	Program Number	Shawnee CUSD 84	ROE/ISC Operations	Truant/ Alternative Education	Regional Safe Schools	General State Aid SS/Jr. High	System of Support	Total
General State Aid - Sec. 18-8	3001	\$ 57,181	\$ -	\$ -	\$ -	\$ 323,772	\$ -	\$ 13,710,866
Sp. Ed. - Private Facility Tuition	3100	-	-	-	-	-	-	6,080
Sp. Ed. - Funding for Children Req. Serv.	3105	15,746	-	-	-	-	-	619,636
Sp. Ed. - Personnel	3110	22,208	-	-	-	-	-	713,293
Sp. Ed. - Orphanage - Individual	3120	-	-	-	-	-	-	55,627
Sp. Ed. - Summer School	3145	-	-	-	-	-	-	3,030
Agriculture Education	3235	-	-	-	-	-	-	4,597
Bilingual Ed. - Downstate - TPI & TBE	3305	-	-	-	-	-	-	3,585
State Free Lunch & Breakfast	3360	249	-	-	-	-	-	20,635
Driver Education	3370	861	-	-	-	-	-	44,377
Transportation - Regular	3500	33,749	-	-	-	-	-	1,069,130
Transportation - Special Education	3510	24,638	-	-	-	-	-	435,346
ROE School Bus Driver Training	3520	-	-	-	-	-	-	850
Truants Alternative/Optional Ed.	3695	-	-	92,744	-	-	-	97,301
Regional Safe Schools	3696	-	-	-	43,918	-	-	43,918
Early Childhood - State Preschool at Risk	3705	-	-	-	-	-	-	1,148,722
ROE/ISC Operations	3730	-	27,593	-	-	-	-	27,593
Title VI - Rural Education Initiative	4107	-	-	-	-	-	-	11,996
National School Lunch Program	4210	9,552	-	-	-	-	-	662,167
School Milk Program	4215	-	-	-	-	-	-	2,023
School Breakfast Program	4220	4,460	-	-	-	-	-	254,143
Fresh Fruits and Vegetables	4240	-	-	-	-	-	-	15,600
IASA - Title I - Low Income	4300	64,083	-	-	-	-	-	1,715,928
IASA - Title I - School Improvement	4331	-	-	-	-	-	50,898	50,898
Title I Migrant Education	4340	-	-	-	-	-	-	46,578
Title I Migrant Incentive Grant	4341	-	-	-	-	-	-	2,500
Title IV - 21 Century CLC	4421	-	-	-	-	-	-	97,545
Fed Sp. Ed. - Preschool Flow Through	4600	-	-	-	-	-	-	6,562
Fed Sp. Ed. - IDEA - Flow Through	4620	-	-	-	-	-	-	112,345
Fed Sp. Ed. - IDEA - Room & Board	4625	-	-	-	-	-	-	10,684
Title II - Teacher Quality	4932	20,525	-	-	-	-	-	325,047
Title II - Teacher Quality Leadership	4935	-	-	-	-	-	-	9,900
National Forest Reserve	N/A	262	-	-	-	-	-	924
Interest	N/A	-	-	-	-	-	-	3,785
		<u>\$ 253,514</u>	<u>\$ 27,593</u>	<u>\$ 92,744</u>	<u>\$ 43,918</u>	<u>\$ 323,772</u>	<u>\$ 50,898</u>	<u>\$ 21,333,211</u>

See accompanying Independent Auditors' Report.