

**State of Illinois**  
**FULTON/SCHUYLER COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #22**  
**FINANCIAL AUDIT**  
**For the Year Ended June 30, 2010**

**Performed as Special Assistant Auditors**  
**For the Office of the Auditor General**

**FULTON/SCHUYLER COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #22**  
**TABLE OF CONTENTS**  
**JUNE 30, 2010**

	<u>PAGE</u>
<b>Officials</b> .....	1
<b>Financial Report Summary</b> .....	2-3
<b>Financial Statement Report Summary</b> .....	4
 <b>FINANCIAL SECTION</b>	
Independent Auditor's Report.....	5-6
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	7-8
 Schedule of Findings and Responses	
Section I - Summary of Auditor's Results.....	9
Section II - Financial Statement Findings .....	10a-10d
Corrective Action Plan for Current Year Audit Findings.....	11a-11b
Summary Schedule of Prior Audit Findings.....	12
 Management's Discussion and Analysis.....	 13a-13f
 <b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements	
Statement of Net Assets .....	14
Statement of Activities .....	15
 Fund Financial Statements	
Balance Sheet - Governmental Funds .....	16
Reconciliation of the Balance Sheet to the Statement of Net Assets - Governmental Funds.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Funds.....	19

**FULTON/SCHUYLER COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #22**  
**TABLE OF CONTENTS**  
**JUNE 30, 2010**

Statement of Net Assets - Proprietary Fund .....	20
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund .....	21
Statement of Cash Flows - Proprietary Fund.....	22
Notes to the Financial Statements .....	23-44
 <b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Illinois Municipal Retirement Fund Schedule of Funding Progress .....	45
 <b>OTHER SUPPLEMENTAL INFORMATION</b>	
Combining Schedule of Accounts General Fund .....	46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund Accounts .....	47
Combining Schedule of Accounts Education Fund.....	48-49
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Education Fund Accounts.....	50-51
Budgetary Comparison Schedule Education Fund Accounts	
Gifted Program.....	52
Regional Safe Schools.....	53
Truants Alternative Optional Education .....	54
McKinney Homeless Children and Youth Program .....	55
Title I – Reading First Part B SEA.....	56
Combining Balance Sheet Nonmajor Special Revenue Funds .....	57
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	58
Statement of Changes in Assets and Liabilities Agency Funds .....	59
Schedule of Disbursements to School District Treasurers and Other Entities - Distributive Fund .....	60

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22

OFFICIALS

Regional Superintendent (Current and During the Audit Period)	Ms. Louise Bassett
Assistant Regional Superintendent (Current, Acting Effective July 1, 2010)	Mr. David Demler
Assistant Regional Superintendent (During the Audit Period, Acting Effective January 18, 2010 through June 30, 2010)	Mr. Warren Baxter
Assistant Regional Superintendent (During the Audit Period, Acting Effective August 3, 2009 through Jan 15, 2010)	Mr. Alan Coleman
Assistant Regional Superintendent (During the Audit Period, Acting Effective July 1, 2009 through July 31, 2009)	Ms. Barb Closen

Office is located at:

Fulton/Schuyler Counties Regional Office of Education  
257 West Lincoln Avenue  
Lewistown, IL 61542

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22

FINANCIAL REPORT SUMMARY

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

AUDITOR'S REPORTS

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

SUMMARY OF AUDIT FINDINGS

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

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

An additional 7 matters which are less than significant deficiencies or material weaknesses but more than inconsequential have been reported in a Management Letter of Comments to the Regional Superintendent. In prior years, these issues may have been included as immaterial findings in the auditors' reports.

SUMMARY OF FINDINGS AND RESPONSES

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
10-01	10a	Controls over Financial Statement Preparation	Material Weakness
10-02	10c	Recording Obligations	Significant Deficiency
10-03	10d	Expenditure Reporting	Significant Deficiency

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

None

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22

FINANCIAL REPORT SUMMARY (Concluded)

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an informal exit conference on September 2, 2010. Attending were Louise Bassett, Regional Superintendent, David Demler, Assistant Regional Superintendent, Deb Wright, Bookkeeper, and Tami Knight, Partner, Kemper CPA Group LLP. Responses to the recommendations were provided by Louise Bassett, Regional Superintendent.

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Fulton/Schuyler Counties Regional Office of Education #22 was performed by Kemper CPA Group LLP.

Based on their audit, the auditors expressed an unqualified opinion on the Fulton/Schuyler Counties Regional Office of Education #22's basic financial statements.

INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fulton/Schuyler Counties Regional Office of Education #22, as of and for the year ended June 30, 2010, which collectively comprise the Fulton/Schuyler Counties Regional Office of Education #22's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Fulton/Schuyler Counties Regional Office of Education #22's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fulton/Schuyler Counties Regional Office of Education #22, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 16, 2011, on our consideration of the Fulton/Schuyler Counties Regional Office of Education #22's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 13a-13f, and 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fulton/Schuyler Counties Regional Office of Education #22's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the Schedule of Disbursements to School District Treasurers and Other Entities – Distributive Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the Schedule of Disbursements to School District Treasurers and Other Entities – Distributive Fund have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Kemper CPA Group LLP*

*Certified Public Accountants and Consultants*

Mattoon, Illinois  
May 16, 2011



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

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fulton/Schuyler Counties Regional Office of Education #22, as of and for the year ended June 30, 2010, which collectively comprise the Fulton/Schuyler Counties Regional Office of Education #22's basic financial statements and have issued our report thereon dated May 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fulton/Schuyler Counties Regional Office of Education #22's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fulton/Schuyler Counties Regional Office of Education #22's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fulton/Schuyler Counties Regional Office of Education #22's internal control over financial reporting.

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

*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. We consider the deficiency described in finding 10-01 in the accompanying Schedule of Findings and Responses to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in findings 10-02 and 10-03 in the accompanying Schedule of Findings and Responses to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fulton/Schuyler Counties Regional Office of Education #22's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters which we have reported to management of the Fulton/Schuyler Counties Regional Office of Education #22 in a separate letter dated May 16, 2011.

Fulton/Schuyler Counties Regional Office of Education #22's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Fulton/Schuyler Counties Regional Office of Education #22's responses and, accordingly, express no opinion on them.

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

*Kemper CPA Group LLP*

*Certified Public Accountants and Consultants*

Mattoon, Illinois  
May 16, 2011

FULTON/SCHUYLER COUNTIES  
 REGIONAL OFFICE OF EDUCATION #22  
 SCHEDULE OF FINDINGS AND RESPONSES  
 FOR THE YEAR ENDED JUNE 30, 2010

**SECTION 1 – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
● Material weakness(es) identified?	Yes
● Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes
● Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
● Material weakness(es) identified?	N/A
● Significant deficiency(ies) identified that are not considered to be material weakness(es)?	N/A
Type of auditor’s report issued on compliance for major programs:	N/A
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	N/A
Identification of major programs:	
<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
N/A	
Dollar threshold used to distinguish between Type A and Type B programs:	N/A
Auditee qualified as a low-risk auditee?	N/A

**FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding No. 10-01 – Controls Over Financial Statement Preparation (Repeat of Prior Year Findings 09-01, 08-01 & 07-01)**

**Criteria/Specific Requirement:**

The Regional Office of Education #22 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Regional Office's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

**Condition:**

The Regional Office of Education #22 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office's financial information required numerous adjusting entries to present the financial statements in accordance with generally accepted accounting principles.
- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or deferred revenue. While the Regional Office did maintain records to indicate the balances of accounts payable, accounts receivable, and deferred revenue, no entries were provided to reconcile the Regional Office of Education #22's grant activity, such as posting grant receivables and deferred revenue.

**Effect:**

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

**Cause:**

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

**FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010**

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding No. 10-01 – Controls Over Financial Statement Preparation (Repeat of Prior Year Findings 09-01, 08-01 & 07-01) (Concluded)**

**Auditor’s Recommendation:**

As part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education #22 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education’s activities and operations.

**Management’s Response:**

The Regional Office of Education #22 understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office accepts the degree of risk associated with this condition because the added expense of seeking additional accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region.

In an attempt to correct this finding, the Regional Office sent the Controller to various trainings to better understand accrual accounting and reporting under generally accepted accounting principles (GAAP). In addition, the Regional Office will solicit help in preparing financial statements from the new County accountant.

**FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010**

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding No. 10-02 – Recording Obligations**

**Criteria/Specific Requirement:**

Generally accepted accounting principles require obligations at year end to be recorded as liabilities to the entity.

**Condition:**

The Regional Office prepared and signed payroll checks for their July 15, 2010, July 31, 2010, and August 15, 2010 pay periods prior to June 30, 2010, but did not disburse the checks to the employees until the appropriate pay dates. The Regional Office posted the payroll expenditures for these pay periods to their general ledger prior to June 30, 2010 as reductions of cash and as expenditures.

**Effect:**

The Regional Office's cash and liabilities were understated.

**Cause:**

The Regional Office was not aware of the proper reporting of obligated salaries at year end.

**Auditor's Recommendation:**

The Regional Office should report obligated salaries at year end as liabilities to the Regional Office and prepare the actual payroll checks at the end of the appropriate payroll period.

**Management's Response:**

The Regional Superintendent agrees with the auditor's recommendation.

**FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010**

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding No. 10-03 – Expenditure Reporting**

**Criteria/Specific Requirement:**

Grant agreements require the Regional Office to report actual expenditures incurred rather than reporting expenditures based on the amount budgeted in the grant agreement.

**Condition:**

Currently the Regional Office does not document the time and effort of employees that work for or are paid from multiple grants so the salary can be allocated to the grants based on actual cost.

**Effect:**

Grant programs may have been over or under allocated for salary and benefit costs.

**Cause:**

The Regional Office was not aware of the requirement to formally document the time and effort of employees paid from multiple grants.

**Recommendation:**

The Regional Office should formally document the time and efforts spent on each grant for employees paid from multiple grant sources and allocate actual costs to each grant accordingly.

**Management's Response:**

The Regional Superintendent agrees with the auditor's recommendation.

**FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010**

**CORRECTIVE ACTION PLAN**

**Finding No. 10-01 – Controls Over Financial Statement Preparation**

**Condition:**

The Regional Office of Education #22 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office's financial information required numerous adjusting entries to present the financial statements in accordance with generally accepted accounting principles.
- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or deferred revenue. While the Regional Office did maintain records to indicate the balances of accounts payable, accounts receivable, and deferred revenue, no entries were provided to reconcile the Regional Office of Education #22's grant activity, such as posting grant receivables and deferred revenue.

**Plan:**

The Regional Office of Education #22 accepts the degree of risk associated with this condition because the additional expense to seek outside accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region. The Regional Office of Education #22 will review, approve, and accept responsibility for the audit adjustments, financial statements and related notes provided by the auditors.

The Regional Office of Education #22 will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring that our employees possess the knowledge required to compile the necessary GAAP-based financial statements.

**Anticipated Date of Completion:**

Not Applicable

**Contact Person Responsible for Corrective Action:**

Ms. Louise Bassett, Regional Superintendent

**FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010**

**CORRECTIVE ACTION PLAN (Concluded)**

**Finding No. 10-02 – Recording Obligations**

**Condition:**

The Regional Office prepared and signed payroll checks for their July 15, 2010, July 31, 2010, and August 15, 2010 pay periods prior to June 30, 2010, but did not disburse the checks to the employees until the appropriate pay dates. The Regional Office posted the payroll expenditures for these pay periods to their general ledger prior to June 30, 2010 as reductions of cash and as expenditures.

**Plan:**

The Regional Office will formally document the time and effort spent on each grant for employees that are paid from multiple grant sources.

**Anticipated Date of Completion:**

June 30, 2011

**Contact Person Responsible for Corrective Action:**

Ms. Louise Bassett, Regional Superintendent

**Finding No. 10-03 – Expenditure Reporting**

**Condition:**

Currently the Regional Office does not document the time and effort of employees that work for or are paid from multiple grants so the salary can be allocated to the grants based on actual cost.

**Plan:**

The Regional Office will report obligated salaries at year end as a liability to the Regional Office and prepare the actual payroll checks at the end of the appropriate payroll period.

**Anticipated Date of Completion:**

June 30, 2011

**Contact Person Responsible for Corrective Action:**

Ms. Louise Bassett, Regional Superintendent

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010

<b><u>Finding No.</u></b>	<b><u>Condition</u></b>	<b><u>Current Status</u></b>
09-1	Controls over Financial Reporting	Repeated as Finding 10-01

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010

The Regional Office of Education #22 for the Counties of Fulton and Schuyler 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, 2010. Readers are encouraged to consider the information in conjunction with the Regional Office's financial statements, which follow.

**2010 Financial Highlights**

- Within the Governmental Funds, the General Fund revenues and other financing sources increased by \$69,761 from \$341,899 in FY09 to \$411,660 in FY10. General Fund expenditures increased by \$88,472 from \$327,313 in FY09 to \$415,785 in FY10.
- Within the Governmental Funds, the Special Funds revenues and other financing sources increased by \$134,426 from \$473,207 in FY09 to \$607,633 in FY10. The Special Funds expenditures increased by \$21,134 from \$464,255 in FY09 to \$485,389 in FY10.

**Using This Report**

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Regional Office's financial activities.
- The Government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Regional Office of Education as a whole and present an overall view of the Office's finances.
- Fund financial statements report the Regional Office's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the financial statements provide additional information that is needed for a full understanding of the data provided in the basic financial statements.
- Required supplementary information further explains and supports the financial statements and supplementary information provides detail information about the non-major funds.

**Reporting the Office as a Whole**

The Statement of Net Assets and the Statement of Activities

The Government-wide statements report information about the Regional Office of Education #22 as a whole. The Statement of Net Assets includes all of the assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid, using accounting methods similar to those used by private-sector companies.

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

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010

- Over time, increases or decreases in the net assets can be an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Regional Office's overall health, additional non-financial factors, such as new laws, rules, regulations, and actions by officials at the state level need to be considered.

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

The fund financial statements provide detailed information about the Regional Office's funds, focusing on its most significant or "major" funds. Funds are accounting devices, which allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by state law. The Regional Office of Education #22 established other funds to control and manage money for particular purposes.

The Office has three kinds of funds:

- 1) Governmental funds account for all of the Office's services. These focus on how cash and other financial assets can be readily converted to cash flow in and out and the balances left at year-end available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Office's programs. The Office's Governmental Funds include: the General Fund and the Special Revenue Funds. The governmental funds required financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.
- 2) Fiduciary funds are used to account for assets held by the Regional Office of Education #22 in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds required financial statements include a Statement of Fiduciary Net Assets.
- 3) Proprietary funds, which include only a business-type fund, are used to account for the goods and services provided by one fund for the benefit of the school districts in the county. The proprietary funds required financial statements include a Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Fund Net Assets, and Statement of Cash Flows.

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

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010

**Office-Wide Financial Analysis**

As noted earlier, net assets may serve when examined over time as one indicator of the financial position of the Regional Office. The net assets at the end of FY10 totaled \$558,040. At the end of FY09, the net assets were \$404,570. The analysis that follows provides a summary of the Office's net assets at June 30, 2010 and 2009, for the governmental and business-type activities.

**CONDENSED STATEMENT OF NET ASSETS**  
**June 30, 2010 and 2009**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>ASSETS:</b>						
Current assets	\$ 567,773	\$ 473,082	\$ 484	\$ -	\$ 568,257	\$ 473,082
Capital assets being depreciated, net	31,813	17,791	48	-	31,861	17,791
<b>TOTAL ASSETS</b>	<b>599,586</b>	<b>490,873</b>	<b>532</b>	<b>-</b>	<b>600,118</b>	<b>490,873</b>
<b>LIABILITIES:</b>						
Current liabilities	42,078	86,303	-	-	42,078	86,303
<b>NET ASSETS:</b>						
Invested in capital assets	31,813	17,791	48	-	31,861	17,791
Unrestricted	486,887	365,024	484	-	487,371	365,024
Restricted for teacher professional development	38,808	21,755	-	-	38,808	21,755
<b>TOTAL NET ASSETS</b>	<b>\$ 557,508</b>	<b>\$ 404,570</b>	<b>\$ 532</b>	<b>\$ -</b>	<b>\$ 558,040</b>	<b>\$ 404,570</b>

The Regional Office of Education's net assets increased from FY09 by \$153,470. The increase occurred primarily in the Governmental Fund, due to deferred revenue for the Gifted Education Training Grant and delayed funding payments for FY09 Grants. General State Aid increased for both Alternative School Programs. In addition, net assets related to the Teacher Institute Fund are considered restricted for teacher professional development. The following analysis shows the changes in net assets for the years ended June 30, 2010 and 2009.

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010

**CHANGE IN NET ASSETS**  
**For the Years Ended June 30, 2010 and 2009**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>REVENUES:</b>						
<b>Program Revenues:</b>						
Operating grants and contributions	\$ 258,793	\$ 388,055	\$ -	\$ -	\$ 258,793	\$ 388,055
<b>General revenues:</b>						
Local sources	113,720	103,344	-	-	113,720	103,344
State sources	212,842	3,796	-	-	212,842	3,796
Federal sources	89,683	-	-	-	89,683	-
On-behalf payments	362,688	308,095	-	-	362,688	308,095
Investment income	3,427	11,816	-	-	3,427	11,816
<b>TOTAL REVENUES</b>	<b>1,041,153</b>	<b>815,106</b>	<b>-</b>	<b>-</b>	<b>1,041,153</b>	<b>815,106</b>
<b>EXPENSES:</b>						
<b>Program expenses:</b>						
Salaries and benefits	356,762	339,148	-	-	356,762	339,148
Purchased services	97,763	120,282	-	-	97,763	120,282
Supplies and materials	47,726	23,063	-	-	47,726	23,063
Depreciation expense	10,686	15,286	-	-	10,686	15,286
Other objects	370	80	-	-	370	80
Payments to other governments	10,654	-	-	-	10,654	-
<b>Administrative expenses:</b>						
On-behalf payments	362,688	308,095	-	-	362,688	308,095
<b>Business-type activities</b>						
Operating	-	-	1,034	-	1,034	-
<b>TOTAL EXPENSES</b>	<b>886,649</b>	<b>805,954</b>	<b>1,034</b>	<b>-</b>	<b>887,683</b>	<b>805,954</b>
<b>Increase (decrease) in net assets</b>	<b>154,504</b>	<b>9,152</b>	<b>(1,034)</b>	<b>-</b>	<b>153,470</b>	<b>9,152</b>
<b>Net assets beginning of the year, restated</b>	<b>403,004</b>	<b>395,418</b>	<b>1,566</b>	<b>-</b>	<b>404,570</b>	<b>395,418</b>
<b>Net assets end of year</b>	<b>\$ 557,508</b>	<b>\$ 404,570</b>	<b>\$ 532</b>	<b>\$ -</b>	<b>\$ 558,040</b>	<b>\$ 404,570</b>

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010

**Governmental Activities**

For FY10, revenues for governmental activities were \$1,041,153, which is more than FY09 amounts, and expenses were \$886,649, which is more than FY09 amounts. The Regional Office of Education #22 determined the increase in revenue resulted from the receipt of delayed payment of Regional Safe Schools and Truants Alternative Optional Education FY09 funds. The increase in revenues approximates a 28% increase while the increase in expenses was only 10%. The disproportionate increase in revenues compared to expenses was due to unavailable funds, cautious spending, and delayed staffing for programs.

**Business-Type Activities**

The Regional Office's business-type activity is related to a Video Library cooperative (Film Library Fund) where the Regional Office charges fees to the participating school districts.

This Video Library cooperative is being phased out in FY11; therefore, there were no fees charged in FY10 and only \$1,034 in expenditures. There is \$484 in cash related to this activity at June 30, 2010. The cash and videos in the library will be distributed to the school districts participating in the cooperative during FY11.

**Financial Analysis of the Regional Office of Education #22 Funds**

**Governmental Fund Highlights:**

- The dollar return on investments (savings and checking accounts) decreased because of declining interest rates.
- County support for the Regional Office of Education #22 County Budget FY10 increased slightly. The Regional Office faced increased expenses due to the relocation of its office by the County Board at the beginning of FY10.
- There was an increase in the State aid foundation level to \$6,119 per student from \$5,959.
- Several payments for Truants Alternative Optional Education and Alternative School funding continued to be delayed and remain outstanding at the time of this report.

**Budgetary Highlights:**

The Regional Office of Education #22 annually adopts budgets for several funds. The Education Account and the Special Funds Budgets are prepared by the Regional Superintendent and serve as a guideline for activities and expenditures. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the two County Boards for their approval. The Office Operations Budget covers a fiscal year, which runs from December 1 to November 30. All grant budgets are prepared by the Regional Office of Education #22 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 Office's actual financial activity are included in the supplementary information of this report.

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010

**Capital Assets**

Capital Assets of the Regional Office of Education #22 include office equipment, computers, audio-visual equipment and office furniture. The Regional Office of Education #22 maintains an inventory of capital assets, which have been accumulated over time. The increase for FY10 was \$25,211 and came as a result of purchasing computers for the Alternative Schools and moving expenses, such as server equipment and a new telephone system for the Regional Office. In addition, the Regional Office of Education #22 has adopted a depreciation schedule, which reflects the level of Net Governmental Activities Capital Assets. More detailed information about capital assets is available in Note #8 to the financial statements.

**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:

- The State of Illinois Foundation level used in the General State Aid calculation would show an increase, but will remain at \$6,119 per student.
- The interest rate on investments remains low and will impact interest earned.
- The Regional Office will continue minimal Gifted funding for special projects only.
- The Regional Office will phase out the Video Library Cooperative.
- The Truants Alternative Optional Education grant funding for FY10 was extended through December 2010. The Truants Alternative Optional Education and Regional Safe School's grant funding decreased for FY2011.
- The Regional Office submitted a budget for county support that was greater than the amount requested in FY10 due to increasing cost of living raises for county employees, increased employee benefits, and additional expenses incurred due to the relocation of the Regional Office. County budget appropriations have not reached final approval at this time.
- The Regional Office is not receiving FY2010 or FY2011 State grant money in a timely manner.
- The State of Illinois remains in a financial crisis and the Regional Office continues to see severe cuts in funding for education programs.

**Contacting the Regional Office's Financial Management**

This financial report is designed to provide the Regional Offices' citizens, taxpayers, clients, and other constituents with a general overview of its finances and to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the Regional Office of Education #22 at 257 W. Lincoln Avenue, Lewistown, IL 61542.

## BASIC FINANCIAL STATEMENTS

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 513,970	\$ 484	\$ 514,454
Due from other governments:			
Local	1,943	-	1,943
State	51,860	-	51,860
<b>Total Current Assets</b>	<b>567,773</b>	<b>484</b>	<b>568,257</b>
<b>Noncurrent Assets:</b>			
Capital assets, being depreciated, net	31,813	48	31,861
<b>Total Noncurrent Assets</b>	<b>31,813</b>	<b>48</b>	<b>31,861</b>
<b>TOTAL ASSETS</b>	<b>599,586</b>	<b>532</b>	<b>600,118</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accrued expenses	30,745	-	30,745
Due to other governments:			
Local	902	-	902
Deferred revenue	10,431	-	10,431
<b>Total Current Liabilities</b>	<b>42,078</b>	<b>-</b>	<b>42,078</b>
<b>NET ASSETS</b>			
Invested in capital assets	31,813	48	31,861
Restricted for teacher professional development	38,808	-	38,808
Unrestricted	486,887	484	487,371
<b>TOTAL NET ASSETS</b>	<b>\$ 557,508</b>	<b>\$ 532</b>	<b>\$ 558,040</b>

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

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
Instructional Services						
Salaries and benefits	\$ 356,762	\$ -	\$ 161,163	\$ (195,599)	\$ -	\$ (195,599)
Purchased services	97,763	-	34,646	(63,117)	-	(63,117)
Supplies and materials	47,726	-	37,773	(9,953)	-	(9,953)
Other objects	370	-	-	(370)	-	(370)
Depreciation expense	10,686	-	-	(10,686)	-	(10,686)
Capital outlay	-	-	25,211	25,211	-	25,211
Payments to other governments	10,654	-	-	(10,654)	-	(10,654)
<b>Administrative:</b>						
On-behalf payments - Local	106,818	-	-	(106,818)	-	(106,818)
On-behalf payments - State	255,870	-	-	(255,870)	-	(255,870)
<b>Total Governmental Activities</b>	<b>886,649</b>	<b>-</b>	<b>258,793</b>	<b>(627,856)</b>	<b>-</b>	<b>(627,856)</b>
<b>Business-Type Activities:</b>						
Operating	1,034	-	-	-	(1,034)	(1,034)
<b>Total Business-Type Activities</b>	<b>1,034</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,034)</b>	<b>(1,034)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 887,683</b>	<b>\$ -</b>	<b>\$ 258,793</b>	<b>(627,856)</b>	<b>(1,034)</b>	<b>(628,890)</b>
<b>GENERAL REVENUES:</b>						
Local sources				113,720	-	113,720
State sources				212,842	-	212,842
Federal sources				89,683	-	89,683
On-behalf payments - Local				106,818	-	106,818
On-behalf payments - State				255,870	-	255,870
Investment income				3,427	-	3,427
<b>Total General Revenues</b>				<b>782,360</b>	<b>-</b>	<b>782,360</b>
<b>CHANGE IN NET ASSETS</b>				<b>154,504</b>	<b>(1,034)</b>	<b>153,470</b>
<b>NET ASSETS - BEGINNING, RESTATED</b>				<b>403,004</b>	<b>1,566</b>	<b>404,570</b>
<b>NET ASSETS - ENDING</b>				<b>\$ 557,508</b>	<b>\$ 532</b>	<b>\$ 558,040</b>

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

**FULTON/SCHUYLER COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #22**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	General Fund	Education Fund	Non-Major Funds	Eliminations	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 123,290	\$ 335,676	\$ 55,004	\$ -	\$ 513,970
Due from other funds	30,943	-	-	(30,943)	-
Due from other governments:					
Local	-	1,943	-	-	1,943
State	-	51,860	-	-	51,860
<b>TOTAL ASSETS</b>	<b>\$ 154,233</b>	<b>\$ 389,479</b>	<b>\$ 55,004</b>	<b>\$ (30,943)</b>	<b>\$ 567,773</b>
<b>LIABILITIES</b>					
Accrued expenses	\$ -	\$ 30,745	\$ -	\$ -	\$ 30,745
Due to other funds	-	30,943	-	(30,943)	-
Due to other governments:					
Local	902	-	-	-	902
Deferred revenue	-	32,291	-	-	32,291
<b>Total Liabilities</b>	<b>902</b>	<b>93,979</b>	<b>-</b>	<b>(30,943)</b>	<b>63,938</b>
<b>FUND BALANCE</b>					
Unreserved, reported in:					
General fund	153,331	-	-	-	153,331
Special revenue funds	-	295,500	55,004	-	350,504
<b>Total Fund Balance</b>	<b>153,331</b>	<b>295,500</b>	<b>55,004</b>	<b>-</b>	<b>503,835</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 154,233</b>	<b>\$ 389,479</b>	<b>\$ 55,004</b>	<b>\$ (30,943)</b>	<b>\$ 567,773</b>

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

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

TOTAL FUND BALANCE — GOVERNMENTAL FUNDS	\$ 503,835
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	31,813
Some revenues will not be collected for several months after the Regional Office's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.	<u>21,860</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 557,508</u>

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

FULTON/SCHUYLER COUNTIES  
 REGIONAL OFFICE OF EDUCATION #22  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Education Fund	Non-Major Funds	Total Governmental Funds
<b>REVENUES</b>				
Local sources	\$ 45,631	\$ 38,934	\$ 29,155	\$ 113,720
On-behalf payments - Local	106,818	-	-	106,818
State sources	-	425,718	2,796	428,514
On-behalf payments - State	255,870	-	-	255,870
Federal sources	-	110,944	-	110,944
Total Revenues	<u>408,319</u>	<u>575,596</u>	<u>31,951</u>	<u>1,015,866</u>
<b>EXPENDITURES</b>				
<b>Instructional Services:</b>				
Salaries and benefits	10,317	345,738	707	356,762
Purchased services	26,215	62,852	8,696	97,763
Supplies and materials	7,084	39,277	1,365	47,726
Other objects	-	370	-	370
Payments to other governments	-	10,654	-	10,654
On-behalf payments - Local	106,818	-	-	106,818
On-behalf payments - State	255,870	-	-	255,870
Capital outlay	9,481	15,730	-	25,211
Total Expenditures	<u>415,785</u>	<u>474,621</u>	<u>10,768</u>	<u>901,174</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(7,466)</u>	<u>100,975</u>	<u>21,183</u>	<u>114,692</u>
<b>OTHER FINANCING SOURCES</b>				
Interest	3,341	86	-	3,427
Total Other Financing Sources	<u>3,341</u>	<u>86</u>	<u>-</u>	<u>3,427</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(4,125)</b>	<b>101,061</b>	<b>21,183</b>	<b>118,119</b>
<b>FUND BALANCE - BEGINNING</b>	<u>157,456</u>	<u>194,439</u>	<u>33,821</u>	<u>385,716</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 153,331</u>	<u>\$ 295,500</u>	<u>\$ 55,004</u>	<u>\$ 503,835</u>

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

FULTON/SCHUYLER COUNTIES  
 REGIONAL OFFICE OF EDUCATION #22  
 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, 2010

NET CHANGE IN FUND BALANCE — GOVERNMENTAL FUNDS \$ 118,119

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

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

Capital outlay	\$ 25,211	
Depreciation expense	<u>(10,686)</u>	14,525

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

21,860

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 154,504

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

FULTON/SCHUYLER COUNTIES  
 REGIONAL OFFICE OF EDUCATION #22  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2010

	Business Type Activities - Enterprise Fund	
	Film Library Fund	Total
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 484	\$ 484
Noncurrent assets:		
Capital assets, being depreciated, net	48	48
<b>TOTAL ASSETS</b>	<b>\$ 532</b>	<b>\$ 532</b>
<b>NET ASSETS</b>		
Invested in capital assets	\$ 48	\$ 48
Unrestricted	484	484
<b>TOTAL NET ASSETS</b>	<b>\$ 532</b>	<b>\$ 532</b>

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

FULTON/SCHUYLER COUNTIES  
 REGIONAL OFFICE OF EDUCATION #22  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities - Enterprise Fund	
	Film Library Fund	Total
REVENUES		
District fees	\$ -	\$ -
Total Revenues	-	-
EXPENSES		
Purchased services	500	500
Supplies and materials	79	79
Depreciation	455	455
Total Operating Expenses	1,034	1,034
OPERATING LOSS	(1,034)	(1,034)
CHANGE IN NET ASSETS	(1,034)	(1,034)
TOTAL NET ASSETS - BEGINNING	1,566	1,566
TOTAL NET ASSETS - ENDING	\$ 532	\$ 532

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

FULTON/SCHUYLER COUNTIES  
 REGIONAL OFFICE OF EDUCATION #22  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities - Enterprise Fund	
	Film	
	<u>Library Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ -	\$ -
Payments to suppliers and providers of goods and services	<u>(579)</u>	<u>(579)</u>
Net Cash Used for Operating Activities	<u>(579)</u>	<u>(579)</u>
Net Increase (Decrease) in Cash	(579)	(579)
Cash and cash equivalents - Beginning	<u>1,063</u>	<u>1,063</u>
Cash and cash equivalents - Ending	<u>\$ 484</u>	<u>\$ 484</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating Income (Loss)	\$ (1,034)	\$ (1,034)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation	455	455
Net Cash Used for Operating Activities	<u>\$ (579)</u>	<u>\$ (579)</u>

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

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fulton/Schuyler Counties Regional Office of Education #22 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

In 2010, the Regional Office of Education #22 implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*; GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*; GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*; and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The Regional Office of Education #22 implemented these standards during the current year; however, GASB Statements No. 51, 53, and 58 had no impact on the financial statements.

A. FINANCIAL REPORTING ENTITY

The Fulton/Schuyler Counties Regional Office of Education #22 was formed as a result of an Educational Service Region becoming a Regional Office of Education on August 7, 1995. The Regional Office operates under the School Code (105 ILCS 5/3 and 5/3A). The Regional Office of Education #22 encompasses Fulton and Schuyler Counties in Illinois. A Regional Superintendent of Schools serves as chief administrative officer of the Regional Office and is elected pursuant to 105 ILCS 5/3 and 5/3a of the School Code. The principal financial duty of the Regional Superintendent is to receive and distribute monies due to school districts from general State aid, State categorical grants, and various other sources.

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 teacher institutes as well as to aid and encourage the formation of other teacher meetings and assist in their management; evaluate the schools in the region; examine evidence of indebtedness; file and keep the returns of elections required to be returned to the Regional Superintendent's office; and file and keep the reports and statements returned by school treasurers and trustees.

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of 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 Fulton/Schuyler Counties Regional Office of Education #22'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.

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**A. FINANCIAL REPORTING ENTITY (Concluded)**

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

The Regional Superintendent is also responsible for apportionment and payment of funds received from the State for the districts in the Fulton/Schuyler Counties Regional Office of Education #22, or see that no payments are made unless the treasurer has filed or renewed appropriate bond 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, 2010, the Fulton/Schuyler Counties Regional Office of Education #22 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 Fulton and Schuyler counties. Such activities are reported as a single special revenue fund (Education Fund).

**B. SCOPE OF THE REPORTING ENTITY**

The Fulton/Schuyler Counties Regional Office of Education #22 reporting entity includes all related organizations for which they exercise oversight responsibility.

The Fulton/Schuyler Counties Regional Office of Education #22 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the Fulton/Schuyler Counties Regional Office of Education #22, 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 Fulton/Schuyler Counties Regional Office of Education #22 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.

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. SCOPE OF THE REPORTING ENTITY (Concluded)**

The districts and joint agreements have been determined not to be a part of the reporting entity after applying the criteria of manifesting of oversight, scope of public service, and special financing relationships and are therefore excluded from the accompanying financial statements because the Regional Office of Education #22 does not control the assets, operations, or management of the districts or joint agreements. In addition, the Regional Office of Education #22 is not aware of any entity that would exercise such oversight as to result in the Regional Office of Education #22 being considered a component unit of the entity.

**C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Regional Office of Education #22's activities with most of the inter-fund activities removed. Governmental activities include programs supported primarily by State and federal grants and other intergovernmental revenues. The Regional Office of Education has one business-type activity that relies on fees and charges for support.

The Regional Office of Education #22's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present a summary of governmental and business-type activities for the Regional Office of Education #22 accompanied by a total column. These statements are presented on an "economic resources" measurement as prescribed by GASB Statement No. 34. All of the Regional Office of Education #22's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Assets. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services, and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function.

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

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Concluded)**

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to inter-fund activities, such as, payables, receivables and transfers. Inter-fund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources 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 Assets. All inter-fund transactions between governmental funds will be eliminated on the government-wide financial statements. Inter-fund activities between governmental funds and business-type funds will remain as due to/due from on the government-wide financial statements. All internal balances in the Statement of Net Assets will be eliminated except those representing balances between the governmental activities and the business-type activities. In the Statement of Activities those transactions between governmental and business-type activities have not been eliminated.

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

**D. PROPRIETARY FUND FINANCIAL STATEMENTS**

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

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

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.

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**E. GOVERNMENTAL FUND FINANCIAL STATEMENTS**

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

The governmental fund financial statements have been prepared in accordance with generally accepted accounting principles on the modified accrual basis. Under the 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. 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.

**F. 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. The reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Regional Office of Education #22; 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.

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Concluded)

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

Under the provision of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Regional Office of Education applies all GASB pronouncements and has elected to apply only the pronouncements issued on or before November 30, 1989 for the following: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures.

Under the terms of grant agreements, the Regional Office of Education #22 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 funding resources available to finance the program. It is the Regional Office of Education #22's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

G. FUND ACCOUNTING

The Fulton/Schuyler Counties Regional Office of Education #22 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 Fulton/Schuyler Counties Regional Office of Education #22 uses governmental, proprietary, and fiduciary funds.

GOVERNMENTAL FUNDS

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

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

As prescribed by GASB Statement No. 34, governmental fund reporting focuses on the major funds, rather than on the fund type. There is a two-step process for determining if a fund should be reported as a major fund: 1) total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for the fund type, and 2) total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and proprietary funds combined. Funds that do not meet the major fund determination requirements are reported in aggregate as nonmajor funds. The Fulton/Schuyler Counties Regional Office of Education #22 has presented all major funds that met the above qualifications. The Fulton/Schuyler Counties Regional Office of Education #22 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 for in another fund. The General Fund is always considered a major fund. The following accounts are included in the General Fund:

General Fund - to account for the Regional Office's on-behalf payments from the State of Illinois to pay the salary and benefits of the Regional Superintendent, Assistant Regional Superintendent, and TRS and THIS on certified employees. It also funds programs not accounted for in another fund.

County Fund - to account for funds provided by the County Boards of Fulton and Schuyler counties for the general office operations and maintenance.

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

Education - The Education Fund includes proceeds for various grants supporting education enhancement programs as follows:

Gifted Program – to provide funds for programs to meet the unique needs of intellectually gifted students.

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued).

Regional Safe Schools – to provide funds for programs to increase safety and promote the learning environment in schools and to meet the particular educational needs of disruptive students more appropriately and individually in the alternative educational environments.

Spoon River Academy – to provide schools funding for students that have difficulty in learning in a standard school environment.

McCall Summer School – to provide funds for programs to increase safety and promote the learning environment in schools and to meet the particular educational needs of disruptive students more appropriately and individually in the alternative educational environments.

Truants Alternative Optional Education – to establish and expand program options outside of regular school attendance to prevent students from becoming chronic truants or dropping out of school and to focus on employability skills for those 16-21 years old.

Safe to Learn (formerly Illinois Violence Prevention) – to provide funds to prepare and administer workshops for teachers.

McKinney Homeless Children and Youth Program – to provide services to all homeless children and youths through a designated Homeless Liaison.

School & Community Assistance Team - a program that trains individuals for crisis management.

Title I – Reading First Part B SEA - a program designed to plan and implement Reading First Academics and provide professional development for teachers in schools that participate in the Reading First program.

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Concluded)

The Fulton/Schuyler Counties Regional Office of Education #22 reports the following nonmajor governmental funds:

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

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

General Education Development - to account for the Regional Office of Education's administration of the GED Testing Program. Revenues are received from testing and diploma fees.

Bus Driver Training (formerly Bus Driver) - this fund accounts for State and local receipts and expenses as a result of training school district bus drivers.

Supervisory - this fund accounts for proceeds provided to the Regional Superintendent by the Illinois State Board of Education to be used for travel and related purposes.

PROPRIETARY FUNDS

Proprietary funds account for revenues and expenses related to services provided to organizations within the region on a cost reimbursement basis. The Regional Office of Education #22 reports the following proprietary fund:

Film Library Fund – the Regional Office operates a film library which provides media resources for an accessed fee to the school districts in the counties it serves.

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. FUND ACCOUNTING (Concluded)

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the Regional Office of Education #22 in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Agency Funds - Agency 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 receives monies from the State Comptroller for the School Facilities Occupation Tax for Schuyler County school districts. The monies are then forwarded directly to the school districts. The Regional Office of Education #22 has agreements with all entities that receive distributions from this fund to keep all accumulated interest.

H. NET ASSETS

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

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

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

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

I. CASH AND CASH EQUIVALENTS

The Fulton/Schuyler Counties Regional Office of Education #22’s cash and cash equivalents are considered to be demand deposits and short term investments. All interest income is recognized as revenue in the appropriate fund’s Statement of Revenues, Expenditures and Changes in Fund Balance.

J. INVENTORY

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

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**K. CAPITAL ASSETS**

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported 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.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment	5 -7 years
Building improvements	15 years

**L. COMPENSATED ABSENCES**

The employees of the Regional Office receive 2 personal days annually and receive no vacation days. The personal days do not accumulate; therefore, no liability is accrued.

Certified employees receive up to 12 sick days annually and the unused portion is accumulated up to 170 days and carried forward. Employee sick leave is recorded when paid. Upon termination, employees do not receive any accumulated sick leave pay, and therefore, no liability is accrued.

**M. 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.

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

**N. BUDGET INFORMATION**

The Fulton/Schuyler Counties Regional Office of Education #22 acts as the administrative agent for certain grant programs that are accounted for in the General and Education Fund. Certain programs have separate budgets and are required to report to the Illinois State Board of Education, however, none of the annual budgets have been legally adopted nor are they required to do so. Comparisons of budgeted and actual results are presented as supplemental information. Budgetary comparison schedules have been provided in supplementary schedules' for the following funds: Gifted Program, Regional Safe Schools, Truants Alternative Optional Education, McKinney Homeless Children and Youth Program and Title I – Reading First Part B SEA.

**O. INTERGOVERNMENTAL AGREEMENT**

On July 1, 2003, the Regional Office of Education #22 entered into an Intergovernmental Agreement executed pursuant to the provisions of the Intergovernmental Cooperation Clause of the Illinois Constitution as well as the provisions of the Intergovernmental Cooperation Act of 1973 and the Illinois Admin. Code 525.110.

The name of the Educational Service delivery system formed is known as the Mid-Illini Educational Cooperative. The Tazewell County Regional Office of Education was designated as the Administrative Agent and as Director. The Title I – Reading First Part B SEA program is flow-through program funding from the Illinois State Board of Education through the Regional Office to the Mid-Illini Educational Cooperative.

**P. INVESTMENTS**

The Regional Office of Education #22 is allowed to invest in securities as authorized by 30 ILCS-235/2 and 6 and 105 ILCS-5/8-7.

It is the policy of the Regional Office to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all State and local statutes governing the investment of public funds. This policy includes all funds governed by the Regional Superintendent of Schools.

Funds on deposit (checking accounts, certificates of deposit, etc.) in excess of FDIC limits must be secured by some form of collateral, which are held at an independent-third part institution in the name of the Regional Office.

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 2 – DEPOSITS AND INVESTMENTS

At June 30, 2010, the carrying amount of the Fulton/Schuyler Counties Regional Office of Education #22's government-wide and business-type cash deposits were \$513,970 and \$484, respectively. The government-wide and business-type bank balances were \$535,967 and \$505, respectively. Of the total bank balance as of June 30, 2010, \$250,000 was secured by federal depository insurance and \$286,472 was collateralized by securities pledged by the Fulton/Schuyler Counties Regional Office of Education #22's financial institution in the name of the Regional Office.

The Regional Office did not have any investments at June 30, 2010.

NOTE 3 – DEFINED BENEFIT PENSION PLAN

**Plan Description.** The Regional Office of Education #22'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 #22'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 online at [www.imrf.org](http://www.imrf.org).

**Funding Policy.** As set by statute, the Fulton/Schuyler Counties Regional Office of Education #22's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require 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 2009 was 8.43 percent of annual covered payroll. The Fulton/Schuyler Counties Regional Office of Education #22 also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

**Annual Pension Cost.** For fiscal year ending December 31, 2009, the Fulton/Schuyler Counties Regional Office of Education #22's annual pension cost of \$6,530 was equal to the Fulton/Schuyler Counties Regional Office of Education #22's required and actual contributions.

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Concluded)

A. TREND INFORMATION

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
12/31/09	\$ 6,530	100%	\$0
12/31/08	15,436	100%	0
12/31/07	2,738	100%	0

The required contribution for 2009 was determined as part of the December 31, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007, included a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), b) projected salary increases of 4.00% a year, attributable to inflation, c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and d) post retirement benefit increases of 3% annually. The actuarial value of the Fulton/Schuyler Counties Regional Office of Education #22'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 15% corridor between the actuarial and market value of assets. The Fulton/Schuyler Counties Regional Office of Education #22's Regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2007, was 5 years.

**Funded Status and Funding Progress.** As of December 31, 2009, the most recent actuarial valuation date, the Regular plan was 57.97 percent funded. The actuarial accrued liability for benefits was \$154,169 and the actuarial value of assets was \$89,372, resulting in an underfunded actuarial accrued liability (UAAL) of \$64,797. The covered payroll (annual payroll of active employees covered by the plan) was \$77,462 and the ratio of the UAAL to the covered payroll was 84 percent. In conjunction with the December 2009 actuarial valuation the market value of investments was determined using techniques that spread the effect 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. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 10 year basis.

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.

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

**NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS**

The Fulton/Schuyler Counties Regional Office of Education #22 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 of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system’s administration.

TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2010, was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4 percent for the years ended June 30, 2009 and 2008.

The State of Illinois makes contributions directly to TRS on behalf of the Fulton/Schuyler Counties Regional Office of Education #22’s TRS-covered employees.

**On behalf contributions.** The State of Illinois makes employer pension contributions on behalf of the Fulton/Schuyler Counties Regional Office of Education #22. For the year ended June 30, 2010, State of Illinois contributions were based on 23.38 percent of creditable earnings not paid from federal funds, and the Fulton/Schuyler Counties Regional Office of Education #22 recognized revenue and expenditures of \$67,151 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2009 and June 30, 2008, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 17.08 percent (\$19,120) and 13.11 percent (\$14,231), respectively.

The Fulton/Schuyler Counties Regional Office of Education #22 makes other types of employer contributions directly to TRS.

**2.2 formula contributions.** Employers contribute 0.58 percent of creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2010 were \$664. Contributions for the years ending June 30, 2009, and June 30, 2008, were \$649 and \$630, respectively.

**Federal and special trust fund contributions.** When TRS members are paid from federal and special trust funds administered by the Fulton/Schuyler Counties Regional Office of Education #22, there is a statutory requirement for the Fulton/Schuyler Counties Regional Office of Education #22 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the State contribution rate to TRS.

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

For the year ended June 30, 2010, the employer pension contribution was 23.38 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2009 and 2008, the employer pension contribution was 17.08 and 13.11 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2010, no salaries were paid from federal and special trust funds that required employer contributions. For the years ended June 30, 2009 and June 30, 2008, required Fulton/Schuyler Counties Regional Office of Education #22 contributions were \$-0- and \$-0-, respectively.

**Early Retirement Option.** The Fulton/Schuyler Counties Regional Office of Education #22 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.

Public Act 94-0004 made changes in the ERO program that were in effect for all ERO retirements in fiscal years 2008 through 2010. The act increased member and employer contributions and eliminated the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service.

Under the current ERO, the maximum employer contribution is 117.5 percent and applies when the member is age 55 at retirement.

For the years ended June 30, 2010, 2009, and 2008 the Fulton/Schuyler Counties Regional Office of Education #22 paid no employer contributions to TRS for employer contributions under the ERO program.

**Salary increases over 6 percent and excess sick leave.** Public Act 94-0004 added two new employer contributions to TRS. If the Fulton/Schuyler Counties Regional Office of Education #22 grants salary increases over 6 percent and those salaries are used to calculate a retiree’s final average salary, the Fulton/Schuyler Counties Regional Office of Education #22 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 increase of up to 6 percent. For the years ended June 30, 2010, 2009, and 2008 the Fulton/Schuyler Counties Regional Office of Education #22 paid no employer contributions to TRS for employer contributions due on salary increases in excess of 6 percent.

If the Fulton/Schuyler Counties Regional Office of Education #22 grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the Fulton/Schuyler Counties Regional Office of Education #22 makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary used to calculate final average salary, and the TRS total normal cost rate (18.55 percent of salary during the year ended June 30, 2010.) For the years ended June 30, 2010, 2009, and 2008 the Fulton/Schuyler Counties Regional Office of Education #22 paid no employer contributions to TRS for sick leave days granted in the excess of the normal annual allotment.

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Concluded)

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 year ended June 30, 2009. The report for the year ended June 30, 2010, is expected to be available in late 2010. The reports may be obtained by writing to the Teachers’ Retirement System of the State of Illinois, PO Box 19253, 2815 West Washington Street, Springfield, Illinois 62794-9253. The most current report is also available on the TRS Web site at [trs.illinois.gov](http://trs.illinois.gov).

NOTE 5 - TEACHERS’ HEALTH INSURANCE SYSTEM

The Regional Office of Education #22 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but does not provide vision, dental, or life insurance benefits to annuitants of the Teachers’ Retirement System (TRS). Annuitant may participate in the State administered participating provider option plan or choose from several managed care options.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor’s approval. The Illinois Department of Healthcare and Family Services (HFS) and the Illinois Department of Central Management Services (CMS) administer the plan with the cooperation of TRS. The director of HFS determines the rates and premiums for annuitants and dependent beneficiaries and establishes the cost-sharing parameters. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to the TRS who are not employees of the State make a contribution to TRS.

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

**On behalf contributions to THIS Fund.** The State of Illinois makes employer retiree health insurance contributions on behalf of the Regional Office. State contributions are intended to match contributions to THIS Fund from active members which were 0.84 percent of pay during the year ended June 30, 2010. State of Illinois contributions were \$962, and the Regional Office of Education #22 recognized revenue and expenditures of this amount during the year.

Had the Regional Office of Education #22 recognized revenue and expenditures for State contributions intended to match active member contributions during the years ended June 30, 2009 and 2008, under the current standards, the contribution match would have been 0.84 percent of pay, or \$940 and \$912, respectively.

FULTON/SCHUYLER COUNTIES  
 REGIONAL OFFICE OF EDUCATION #22  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2010

NOTE 5 - TEACHERS' HEALTH INSURANCE SYSTEM (Concluded)

**Employer contributions to THIS Fund.** The employer (Regional Office of Education #22) also makes contributions to THIS Fund. The employer THIS Fund contribution was 0.63 percent during the years ended June 30, 2010, June 30, 2009, and June 30, 2008. For the year ended June 30, 2010, the Regional Office of Education #22 paid \$722, to the THIS Fund. For the years ended June 30, 2009 and June 30, 2008, the Regional Office paid \$705 and \$684 to the THIS Fund, 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 obtained by writing to the Department of Healthcare and Family Services, 201 S. Grand Ave., Springfield, IL 62763-3838.

NOTE 6 - INTERFUND ACTIVITY

DUE TO/FROM OTHER FUNDS

Interfund due to/from other fund balances at June 30, 2010 consist of the following individual due to/from other funds in the governmental fund balance sheet. The balances between governmental funds were eliminated in the government-wide Statement of Net Assets.

	Due To Other Funds	Due From Other Funds
General Fund	\$ -	\$ 30,943
Education Fund	30,943	-
Totals	\$ 30,943	\$ 30,943

NOTE 7 - DUE TO/FROM OTHER GOVERNMENTS

The Fulton/Schuyler Counties Regional Office of Education #22's various grant programs have funds due from the Illinois State Board of Education which consist of the following:

Due From Other Governments:

<u>Education Fund</u>	
Illinois State Board of Education	\$ 51,860
Local governments	1,943
	\$ 53,803

FULTON/SCHUYLER COUNTIES  
REGIONAL OFFICE OF EDUCATION #22  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 7 – DUE TO/FROM OTHER GOVERNMENTS (Concluded)

Due To Other Governments:

General Fund

Local school districts \$ 902

NOTE 8 – CAPITAL ASSET ACTIVITY

In accordance with GASB Statement No. 34, the Fulton/Schuyler Counties Regional Office of Education #22 has reported capital assets in the government-wide Statement of Net Assets. Purchases are reported as capital outlay in the governmental fund statements. The following table provides a summary of changes in total assets, accumulated depreciation, and investment in capital assets for the year ended June 30, 2010:

	<u>Balance</u> <u>07/01/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/10</u>
<b>Governmental Activities</b>				
Capital Assets, Being Depreciated				
Computers and Equipment	\$ 173,283	\$ 25,211	\$ 72,291	\$ 126,203
Less Accumulated Depreciation for:				
Computers and Equipment	<u>(155,995)</u>	<u>(10,686)</u>	<u>(72,291)</u>	<u>(94,390)</u>
<b>Governmental Activities</b>				
Capital Assets, Net	<u>\$ 17,288</u>	<u>\$ 14,525</u>	<u>\$ -</u>	<u>\$ 31,813</u>
<b>Business Type Activities</b>				
Capital Assets, Being Depreciated				
Videos and Film	\$ 45,318	\$ -	\$ -	\$ 45,318
Furniture and Fixtures	3,495	-	-	3,495
Total	<u>48,813</u>	<u>-</u>	<u>-</u>	<u>48,813</u>
Less Accumulated Depreciation for:				
Videos and Film	(44,892)	(426)	-	(45,318)
Furniture and Fixtures	(3,418)	(29)	-	(3,447)
Total	<u>(48,310)</u>	<u>(455)</u>	<u>-</u>	<u>(48,765)</u>
<b>Business Type Activities</b>				
Capital Assets, Net	<u>\$ 503</u>	<u>\$ (455)</u>	<u>\$ -</u>	<u>\$ 48</u>

**FULTON/SCHUYLER COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #22**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 8 – CAPITAL ASSET ACTIVITY (Concluded)**

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2010 of \$16,657 and \$455 was charged to governmental activities and business type activities, respectively, on the government-wide Statement of Activities. Investment in capital assets is the component of net assets that reports capital assets net of accumulated depreciation.

**NOTE 9 – ON BEHALF PAYMENTS**

The State of Illinois paid the following salaries on behalf of the Fulton/Schuyler Counties Regional Office of Education #22:

Regional Superintendent Salary	\$ 90,871
Assistant Regional Superintendent Salary	81,784
Regional Superintendent Fringe Benefit (Includes State paid insurance)	13,066
Assistant Regional Superintendent Fringe Benefit (Includes State paid insurance)	2,036
TRS Pension Contributions	67,151
THIS Contributions	<u>962</u>
 Total	 <u>\$ 255,870</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.

Fulton/Schuyler Counties Regional Office of Education #22's personnel are paid by Fulton County, Illinois, in accordance with statutes. Employees of programs funded by federal and State grants are paid by the grant funds. Some fixed assets used solely by the Fulton/Schuyler Counties Regional Office of Education #22 are purchased by Fulton County. Ownership of those fixed assets remains with the County of Fulton and, accordingly, the cost of these assets is not included in the Fulton/Schuyler Counties Regional Office of Education #22's financial statements. Fulton County also provides office space and some administrative expenses for the Fulton/Schuyler Counties Regional Office of Education #22. The following data was calculated based on information provided by Fulton County:

**FULTON/SCHUYLER COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #22**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 9 – ON BEHALF PAYMENTS (Concluded)**

These amounts have been recorded in the accompanying financial statements as Local revenue and expenditures.

Salaries and Benefits	\$ 82,742
Purchased Services	<u>24,076</u>
 Total	 <u>\$ 106,818</u>

**NOTE 10 – RISK MANAGEMENT**

The Fulton/Schuyler Counties Regional Office of Education #22 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. The Fulton/Schuyler Counties Regional Office of Education #22 has purchased commercial insurance to cover these risks. No losses have been incurred in excess of the amounts covered by insurance over the past three years.

**NOTE 11 – RESTATEMENT OF NET ASSETS**

The Film Library Fund was established to provide video and other media materials to school districts in the region. Each school district is charged an annual fee based on student population to have access to this resource. In prior years this activity was accounted for as an internal service fund; however, because the activity is exclusively for the benefit of other governmental entities it should be reported as a proprietary fund.

The following is the effect of this adjustment on the beginning balance of Net Assets for Governmental and Business-Type Activities:

<u>Governmental Activities:</u>	<u>Governmental Activities</u>
Net Assets – July 1, 2009	\$ 404,570
Effect of reclassifying the Film Library fund to an Enterprise Fund	<u>(1,566)</u>
Net Assets, Restated – July 1, 2009	<u>\$ 403,004</u>
 <u>Business-Type Activities:</u>	 <u>Business-Type Activities</u>
Net Assets – July 1, 2009	\$ -
Effect of reclassifying the Film Library fund to an Enterprise Fund	<u>1,566</u>
Net Assets, Restated – July 1, 2009	<u>\$ 1,566</u>

FULTON/SCHUYLER COUNTIES  
 REGIONAL OFFICE OF EDUCATION #22  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2010

NOTE 12 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

The following fund/fund account had a deficit fund balance at June 30, 2010:

<u>Major Special Revenue Fund</u>	
Truants Alternative Optional Education	<u>\$ 16,860</u>

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS

The Regional Office of Education #22 has evaluated its potential other post employment benefits liability. Former employees who choose to retain their rights to health insurance through the Regional Office of Education #22 are required to pay 100% of the current premium. However, no former employees have chosen to stay in the Regional Office of Education #22's health insurance plan. 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 Postemployment Benefits Other Than Pensions. Additionally, the Regional Office of Education #22 had no former employees for which the Regional Office of Education #22 was providing an explicit subsidy and no current employees with agreements for future explicit subsidies upon retirement. Therefore, the Regional Office of Education #22 has not recorded any post employment benefit liability as of June 30, 2010.

NOTE 14 – OPERATING LEASE

The Regional Office of Education #22 is committed under a five-year noncancelable operating lease for photocopier equipment. Rent expenditures were \$2,850 for the year ended June 30, 2010. Future minimum operating lease commitments are as follows:

<u>Year ending June 30,</u>	
2011	\$ 3,316
2012	3,316
2013	3,316
2014	3,316
2015	<u>3,040</u>
Total	<u>\$ 16,304</u>

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 16, 2011, the date which financial statements were available to be issued.

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

FULTON/SCHUYLER COUNTIES  
 REGIONAL OFFICE OF EDUCATION #22  
 ILLINOIS MUNICIPAL RETIREMENT FUND  
 SCHEDULE OF FUNDING PROGRESS  
 (UNAUDITED)  
 JUNE 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	(2) Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	(3) Funded Ratio (a/b)	(4) Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
12/31/09	89,372	154,169	64,797	57.97%	77,462	83.65%
12/31/08	267,552	299,593	32,041	89.31%	104,513	30.66%
12/31/07	265,712	272,359	6,647	97.56%	98,848	6.72%

On a market value basis, the actuarial value of assets as of December 31, 2009 is \$83,645.

On a market basis, the funded ratio would be 54.26%.

OTHER SUPPLEMENTAL INFORMATION

**FULTON/SCHUYLER COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #22**  
**COMBINING SCHEDULE OF ACCOUNTS**  
**GENERAL FUND**  
**JUNE 30, 2010**

	<u>General Fund</u>	<u>County Fund</u>	<u>TOTALS</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 99,671	\$ 23,619	\$ 123,290
Due from other funds	30,943	-	30,943
<b>TOTAL ASSETS</b>	<u>\$ 130,614</u>	<u>\$ 23,619</u>	<u>\$ 154,233</u>
<b>LIABILITIES</b>			
Due to other governments:			
Local	\$ 902	-	\$ 902
<b>Total Liabilities</b>	<u>902</u>	<u>-</u>	<u>902</u>
<b>FUND BALANCE</b>			
Unreserved	129,712	23,619	153,331
<b>Total Fund Balance</b>	<u>129,712</u>	<u>23,619</u>	<u>153,331</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 130,614</u>	<u>\$ 23,619</u>	<u>\$ 154,233</u>

FULTON/SCHUYLER COUNTIES  
 REGIONAL OFFICE OF EDUCATION #22  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GENERAL FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	County Fund	TOTALS
<b>REVENUES</b>			
Local sources	\$ 6,314	\$ 39,317	\$ 45,631
On-behalf payments - Local	-	106,818	106,818
On-behalf payments - State	255,870	-	255,870
Total Revenues	<u>262,184</u>	<u>146,135</u>	<u>408,319</u>
<b>EXPENDITURES</b>			
Salaries and benefits	-	10,317	10,317
Purchased services	4,415	21,800	26,215
Supplies and materials	3,539	3,545	7,084
Capital outlay	-	9,481	9,481
On-behalf payments - Local	-	106,818	106,818
On-behalf payments - State	255,870	-	255,870
Total Expenditures	<u>263,824</u>	<u>151,961</u>	<u>415,785</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>(1,640)</u>	<u>(5,826)</u>	<u>(7,466)</u>
<b>OTHER FINANCING SOURCES</b>			
Interest	<u>3,341</u>	<u>-</u>	<u>3,341</u>
Total Other Financing Sources	<u>3,341</u>	<u>-</u>	<u>3,341</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,701	(5,826)	(4,125)
<b>FUND BALANCE - BEGINNING</b>	<u>128,011</u>	<u>29,445</u>	<u>157,456</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 129,712</u>	<u>\$ 23,619</u>	<u>\$ 153,331</u>

**FULTON/SCHUYLER COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #22**  
**COMBINING SCHEDULE OF ACCOUNTS**  
**EDUCATION FUND**  
**JUNE 30, 2010**

	Gifted Program	Regional Safe Schools	Spoon River Academy	McCall Summer School	Truants Alternative Optional Education	Safe to Learn (formerly Illinois Violence Prevention)
<b>ASSETS</b>						
Cash and cash equivalents	\$ 18,536	\$ 180,347	\$ 121,100	\$ 627	\$ 12,140	\$ 2,712
Due from other governments:						
Local	-	-	-	-	-	-
State	-	35,000	-	-	16,860	-
<b>TOTAL ASSETS</b>	<b>\$ 18,536</b>	<b>\$ 215,347</b>	<b>\$ 121,100</b>	<b>\$ 627</b>	<b>\$ 29,000</b>	<b>\$ 2,712</b>
<b>LIABILITIES</b>						
Accrued expenses	\$ -	\$ 17,554	\$ 13,191	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	29,000	-
Deferred revenue	7,719	21,000	-	-	860	2,712
<b>Total Liabilities</b>	<b>7,719</b>	<b>38,554</b>	<b>13,191</b>	<b>-</b>	<b>29,860</b>	<b>2,712</b>
<b>FUND BALANCE (DEFICIT)</b>						
Unreserved	10,817	176,793	107,909	627	(860)	-
<b>Total Fund Balance (Deficit)</b>	<b>10,817</b>	<b>176,793</b>	<b>107,909</b>	<b>627</b>	<b>(860)</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 18,536</b>	<b>\$ 215,347</b>	<b>\$ 121,100</b>	<b>\$ 627</b>	<b>\$ 29,000</b>	<b>\$ 2,712</b>

FULTON/SCHUYLER COUNTIES  
 REGIONAL OFFICE OF EDUCATION #22  
 COMBINING SCHEDULE OF ACCOUNTS  
 EDUCATION FUND  
 JUNE 30, 2010

	McKinney Homeless Children and Youth	School & Community Assistance Team	Title I - Reading First Part B SEA	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 214	\$ -	\$ 335,676
Due from other governments:				
Local	1,943	-	-	1,943
State	-	-	-	51,860
<b>TOTAL ASSETS</b>	<b>\$ 1,943</b>	<b>\$ 214</b>	<b>\$ -</b>	<b>\$ 389,479</b>
<b>LIABILITIES</b>				
Accrued expenses	\$ -	\$ -	\$ -	\$ 30,745
Due to other funds	1,943	-	-	30,943
Deferred revenue	-	-	-	32,291
<b>Total Liabilities</b>	<b>1,943</b>	<b>-</b>	<b>-</b>	<b>93,979</b>
<b>FUND BALANCE (DEFICIT)</b>				
Unreserved	-	214	-	295,500
<b>Total Fund Balance (Deficit)</b>	<b>-</b>	<b>214</b>	<b>-</b>	<b>295,500</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,943</b>	<b>\$ 214</b>	<b>\$ -</b>	<b>\$ 389,479</b>

**FULTON/SCHUYLER COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #22**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**EDUCATION FUND ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Gifted Program	Regional Safe Schools	Spoon River Academy	McCall Summer School	Truants Alternative Optional Education	Safe to Learn (formerly Illinois Violence Prevention)
<b>REVENUES</b>						
Local sources	\$ -	\$ 20,934	\$ 18,000	\$ -	\$ -	\$ -
State sources	48,091	178,347	145,087	-	54,193	-
Federal sources	-	29,721	67,878	-	-	-
Total Revenues	<u>48,091</u>	<u>229,002</u>	<u>230,965</u>	<u>-</u>	<u>54,193</u>	<u>-</u>
<b>EXPENDITURES</b>						
Salaries and benefits	11,586	135,616	146,806	1,565	45,807	-
Purchased services	3,441	41,731	8,567	560	6,811	-
Supplies and materials	30,833	3,000	3,023	-	435	-
Other objects	-	20	-	350	-	-
Capital outlay	-	1,854	13,876	-	-	-
Payments to other governments	3,395	-	-	-	2,000	-
Total Expenditures	<u>49,255</u>	<u>182,221</u>	<u>172,272</u>	<u>2,475</u>	<u>55,053</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,164)</u>	<u>46,781</u>	<u>58,693</u>	<u>(2,475)</u>	<u>(860)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES</b>						
Interest	86	-	-	-	-	-
Total Other Financing Sources	<u>86</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,078)</u>	<u>46,781</u>	<u>58,693</u>	<u>(2,475)</u>	<u>(860)</u>	<u>-</u>
<b>FUND BALANCE - BEGINNING</b>	<u>11,895</u>	<u>130,012</u>	<u>49,216</u>	<u>3,102</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE (DEFICIT) - ENDING</b>	<u>\$ 10,817</u>	<u>\$ 176,793</u>	<u>\$ 107,909</u>	<u>\$ 627</u>	<u>\$ (860)</u>	<u>\$ -</u>

**FULTON/SCHUYLER COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #22**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**EDUCATION FUND ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	McKinney Homeless Children and Youth	School & Community Assistance Team	Title I - Reading First Part B SEA	Total
<b>REVENUES</b>				
Local sources	\$ -	\$ -	\$ -	\$ 38,934
State sources	-	-	-	425,718
Federal sources	8,086	-	5,259	110,944
<b>Total Revenues</b>	<b>8,086</b>	<b>-</b>	<b>5,259</b>	<b>575,596</b>
<b>EXPENDITURES</b>				
Salaries and benefits	4,358	-	-	345,738
Purchased services	1,742	-	-	62,852
Supplies and materials	1,986	-	-	39,277
Other objects	-	-	-	370
Capital outlay	-	-	-	15,730
Payments to other governments	-	-	5,259	10,654
<b>Total Expenditures</b>	<b>8,086</b>	<b>-</b>	<b>5,259</b>	<b>474,621</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,975</b>
<b>OTHER FINANCING SOURCES</b>				
Interest	-	-	-	86
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>86</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>101,061</b>
<b>FUND BALANCE - BEGINNING</b>	<b>-</b>	<b>214</b>	<b>-</b>	<b>194,439</b>
<b>FUND BALANCE (DEFICIT) - ENDING</b>	<b>\$ -</b>	<b>\$ 214</b>	<b>\$ -</b>	<b>\$ 295,500</b>

FULTON/SCHUYLER COUNTIES  
 REGIONAL OFFICE OF EDUCATION #22  
 BUDGETARY COMPARISON SCHEDULE  
 (For the Period of July 1, 2009 to June 30, 2010)  
 EDUCATION FUND ACCOUNT  
 GIFTED PROGRAM  
 FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
<b>REVENUE</b>			
State	\$ 55,810	\$ 55,810	\$ 48,091
Total Revenue	<u>55,810</u>	<u>55,810</u>	<u>48,091</u>
<b>EXPENDITURES</b>			
Salaries and benefits	8,560	13,224	11,586
Purchased services	22,210	6,115	3,441
Supplies and materials	25,040	36,471	30,833
Payments to other governments	-	-	3,395
Total Expenditures	<u>55,810</u>	<u>55,810</u>	<u>49,255</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>(1,164)</u>
<b>OTHER FINANCING SOURCES</b>			
Interest	-	-	86
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>86</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	(1,078)
<b>FUND BALANCE - BEGINNING</b>	<u>-</u>	<u>-</u>	<u>11,895</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,817</u>

FULTON/SCHUYLER COUNTIES  
 REGIONAL OFFICE OF EDUCATION #22  
 BUDGETARY COMPARISON SCHEDULE  
 (For the Period of July 1, 2009 to June 30, 2010)  
 EDUCATION FUND ACCOUNT  
 REGIONAL SAFE SCHOOLS  
 FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
<b>REVENUE</b>			
Local	\$ -	\$ -	\$ 20,934
State	85,257	78,790	178,347
Federal	-	-	29,721
Total Revenue	<u>85,257</u>	<u>78,790</u>	<u>229,002</u>
<b>EXPENDITURES</b>			
Salaries and benefits	76,257	69,790	135,616
Purchased services	9,000	9,000	41,731
Supplies and materials	-	-	3,000
Other objects	-	-	20
Capital outlay	-	-	1,854
Total Expenditures	<u>85,257</u>	<u>78,790</u>	<u>182,221</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>-</u>	<u>-</u>	<u>46,781</u>
<b>OTHER FINANCING SOURCES</b>			
Interest	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>			
	-	-	46,781
<b>FUND BALANCE - BEGINNING</b>			
	<u>-</u>	<u>-</u>	<u>130,012</u>
<b>FUND BALANCE - ENDING</b>			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,793</u>

Note: The budget amount for Regional Safe Schools reflect only the amounts pertaining to the Regional Safe Schools Grant. The actual amounts reflect grant funds as well as other State and federal funds plus local monies which are not subject to grant budget requirements

FULTON/SCHUYLER COUNTIES  
 REGIONAL OFFICE OF EDUCATION #22  
 BUDGETARY COMPARISON SCHEDULE  
 (For the Period of July 1, 2009 to June 30, 2010)  
 EDUCATION FUND ACCOUNT  
 TRUANTS ALTERNATIVE OPTIONAL EDUCATION  
 FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
<b>REVENUE</b>			
State	\$ 95,770	\$ 86,193	\$ 54,193
Total Revenue	<u>95,770</u>	<u>86,193</u>	<u>54,193</u>
<b>EXPENDITURES</b>			
Salaries and benefits	83,671	73,793	45,807
Purchased services	11,336	11,428	6,811
Supplies and materials	763	972	435
Payments to other governments	-	-	2,000
Total Expenditures	<u>95,770</u>	<u>86,193</u>	<u>55,053</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>-</u>	<u>-</u>	<u>(860)</u>
<b>OTHER FINANCING SOURCES</b>			
Interest	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>			
	-	-	(860)
<b>FUND BALANCE - BEGINNING</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE (DEFICIT) - ENDING</b>			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (860)</u>

FULTON/SCHUYLER COUNTIES  
 REGIONAL OFFICE OF EDUCATION #22  
 BUDGETARY COMPARISON SCHEDULE  
 (For the Period of July 1, 2009 to August 31, 2010)  
 EDUCATION FUND ACCOUNT  
 MCKINNEY HOMELESS CHILDREN AND YOUTH PROGRAM  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUE</b>			
Federal	\$ 7,530	\$ 7,530	\$ 8,086
Total Revenue	<u>7,530</u>	<u>7,530</u>	<u>8,086</u>
<b>EXPENDITURES</b>			
Salaries and benefits	4,356	4,356	4,358
Purchased services	2,844	2,844	1,742
Supplies and materials	330	330	1,986
Total Expenditures	<u>7,530</u>	<u>7,530</u>	<u>8,086</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES</b>			
Interest	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - BEGINNING</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>			
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

FULTON/SCHUYLER COUNTIES  
 REGIONAL OFFICE OF EDUCATION #22  
 BUDGETARY COMPARISON SCHEDULE  
 (For the Period of July 1, 2009 to August 31, 2010)  
 EDUCATION FUND ACCOUNT  
 TITLE I - READING FIRST PART B SEA  
 FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
<b>REVENUE</b>			
Federal	\$ 5,259	\$ 5,259	\$ 5,259
Total Revenue	<u>5,259</u>	<u>5,259</u>	<u>5,259</u>
<b>EXPENDITURES</b>			
Salaries and benefits	259	-	-
Purchased services	-	-	-
Supplies and materials	500	-	-
Payments to other governments	4,500	5,259	5,259
Total Expenditures	<u>5,259</u>	<u>5,259</u>	<u>5,259</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES</b>			
Interest	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>			
	-	-	-
<b>FUND BALANCE - BEGINNING</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FULTON/SCHUYLER COUNTIES  
 REGIONAL OFFICE OF EDUCATION #22  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2010

	General Education Development	Bus Driver Training	Supervisory	Institute	TOTALS
ASSETS					
Cash and cash equivalents	\$ 10,701	\$ 5,424	\$ 71	\$ 38,808	\$ 55,004
TOTAL ASSETS	<u>\$ 10,701</u>	<u>\$ 5,424</u>	<u>\$ 71</u>	<u>\$ 38,808</u>	<u>\$ 55,004</u>
FUND BALANCE					
Unreserved	\$ 10,701	\$ 5,424	\$ 71	\$ 38,808	\$ 55,004
TOTAL FUND BALANCE	<u>\$ 10,701</u>	<u>\$ 5,424</u>	<u>\$ 71</u>	<u>\$ 38,808</u>	<u>\$ 55,004</u>

**FULTON/SCHUYLER COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #22**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	General Education Development	Bus Driver Training	Supervisory	Institute	TOTALS
<b>REVENUES</b>					
Local sources	\$ 4,915	\$ 2,630	\$ -	\$ 21,610	\$ 29,155
State sources	-	796	2,000	-	2,796
Total Revenues	<u>4,915</u>	<u>3,426</u>	<u>2,000</u>	<u>21,610</u>	<u>31,951</u>
<b>EXPENDITURES</b>					
Salaries and benefits	707	-	-	-	707
Purchased services	886	1,314	1,939	4,557	8,696
Supplies and materials	1,365	-	-	-	1,365
Total Expenditures	<u>2,958</u>	<u>1,314</u>	<u>1,939</u>	<u>4,557</u>	<u>10,768</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,957	2,112	61	17,053	21,183
<b>FUND BALANCE - BEGINNING</b>	<u>8,744</u>	<u>3,312</u>	<u>10</u>	<u>21,755</u>	<u>33,821</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 10,701</u>	<u>\$ 5,424</u>	<u>\$ 71</u>	<u>\$ 38,808</u>	<u>\$ 55,004</u>

FULTON/SCHUYLER COUNTIES  
 REGIONAL OFFICE OF EDUCATION #22  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUND  
 FOR THE YEAR ENDED JUNE 30, 2010

	Balance 07/01/09	Additions	Deductions	Balance 06/30/10
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 72,451	\$ 72,451	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 72,451</u>	<u>\$ 72,451</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to other governments	\$ -	\$ 72,451	\$ 72,451	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 72,451</u>	<u>\$ 72,451</u>	<u>\$ -</u>

FULTON/SCHUYLER COUNTIES  
 REGIONAL OFFICE OF EDUCATION #22  
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT  
 TREASURERS AND OTHER ENTITIES  
 DISTRIBUTIVE FUND  
 FOR THE YEAR ENDED JUNE 30, 2010

District	Schuyler County School Facility Occupation Tax
Astoria CUSD #1	\$ 1,790
VIT CUSD #2	65
Schuyler-Industry CUSD #5	68,060
Southeastern CUSD #337	2,536
<b>TOTAL</b>	<b>\$ 72,451</b>