

State of Illinois
MARSHALL/PUTNAM/WOODFORD COUNTIES
REGIONAL OFFICE OF EDUCATION #43
FINANCIAL AUDIT
For the Year Ended June 30, 2007

Performed as Special Assistant Auditors
for the Office of the Auditor General

TABLE OF CONTENTS

	<u>Page</u>
Officials	4
Financial Report Summary	5
Financial Statement Report Summary	6
Independent Auditors' Report	7-8
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>	9-10

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AND AUDITEE CORRECTIVE ACTION PLAN

Section I - Summary of Auditor's Results	11-12
Section II - Financial Statement Findings	13-14
Section III - Federal Award Findings	15
Corrective Action Plan	16

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Summary Schedule of Prior Audit Findings	17
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis	18-21
--------------------------------------	-------

BASIC FINANCIAL STATEMENTS OVERVIEW

Government-Wide Financial Statements:	
Statement of Net Assets	22
Statement of Activities	23
Fund Financial Statements	
Balance Sheet -- Governmental Funds	24
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities- Governmental Funds	27
Statement of Fiduciary Net Assets	28

TABLE OF CONTENTS

	<u>Page</u>
Notes to the Financial Statements	29-40

SUPPLEMENTARY INFORMATION

Combining Schedule of Accounts – Education Fund	41
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Education Fund Accounts	42
Budgetary Comparison Schedule – Education Fund Account	43
Combining Statement of Fiduciary Net Assets – Agency Funds	44
Combining Statement of Changes in Assets and Liabilities - Agency Funds	45

OTHER FINANCIAL DATA

Schedule of Disbursements to Other Funds – Distributive Fund	46
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OFFICIALS

Regional Superintendent	Mr. Rolland D. Marshall (during audit period) Ms. Ronda Bangert (current)
Assistant Regional Superintendent	Ms. Ronda Bangert (during audit period) Mr. Patrick Durley (current)

Offices are located at:

117 South Jefferson
Washburn, IL 61570

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	2	1
Repeated audit findings	0	1
Prior recommendations implemented or not repeated	1	0

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

SUMMARY OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)		
07-1	13	Controls over financial statement preparation
07-2	14	Failure to fully insure and collateralize cash balances
PRIOR FINDINGS NOT REPEATED (GOVERNMENTAL AUDITING STANDARDS)		
06-1	17	Controls over compliance with laws and regulations

EXIT CONFERENCE

An informal exit conference was held on December 12, 2007. Attending was Regional Superintendent Ronda Bangert, bookkeeper Jeannie Wright and auditor Robert Plier. The findings were discussed. Superintendent Bangert provided a corrective action plan on January 29, 2008.

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of Marshall/Putnam/Woodford Counties Regional Office of Education #43 was performed by Ginoli & Company Ltd.

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



GINOLI & COMPANY LTD

Certified Public Accountants and Business Consultants

411 Hamilton Blvd., Suite 1616, Peoria Illinois 61602-1104 / 309 671-2350
Morton Line: 309 266 5923 / Telefax: 309 671-5459 / email@ginolicpa.com

INDEPENDENT AUDITORS' 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, each major fund, and the aggregate remaining fund information of the Marshall/Putnam/Woodford Counties Regional Office of Education #43, as of and for the year ended June 30, 2007, which collectively comprise the Marshall/Putnam/Woodford Counties Regional Office of Education #43's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Marshall/Putnam/Woodford Counties Regional Office of Education #43'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, each major fund, and the aggregate remaining fund information of the Marshall/Putnam/Woodford Counties Regional Office of Education #43, as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 9, 2008 on our consideration of Marshall/Putnam/Woodford Counties Regional Office of Education #43'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 on pages 18 through 21 is not a required part of the basic financial statements but is 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 Marshall/Putnam/Woodford Counties Regional Office of Education #43's basic financial statements. The combining and individual fund financial statements and supplemental schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and supplemental schedule 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.

GINOLI & COMPANY LTD

GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
May 9, 2008



GINOLI & COMPANY LTD

Certified Public Accountants and Business Consultants

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**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, each major fund, and the aggregate remaining fund information of the Marshall/Putnam/Woodford Counties Regional Office of Education #43, as of and for the year ended June 30, 2007, which collectively comprise Marshall/Putnam/Woodford Counties Regional Office of Education #43's basic financial statements and have issued our report thereon dated May 9, 2008. 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 Marshall/Putnam/Woodford Counties Regional Office of Education #43'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 Marshall/Putnam/Woodford Counties Regional Office of Education #43's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marshall/Putnam/Woodford Counties Regional Office of Education #43's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting, 07-1 and 07-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, we consider the significant deficiency described above, as item 07-1, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshall/Putnam/Woodford Counties Regional Office of Education #43'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*.

Marshall/Putnam/Woodford Counties Regional Office of Education #43's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Marshall/Putnam/Woodford Counties Regional Office of Education #43's response and, accordingly, we express no opinion on it.

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.

GINOLI & COMPANY LTD

GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
May 9, 2008

MARSHALL/PUTNAM/WOODFORD COUNTIES REGIONAL OFFICE OF EDUCATION #43
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified
(unqualified, qualified, adverse, disclaimer)

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es) X yes none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
Not Applicable
- Significant deficiency(ies) identified that are not considered to be material weakness(es) yes no
Not Applicable

Type of auditor's report issued on compliance for major programs: N/A
(unqualified, qualified, adverse, disclaimer)

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? yes no
Not Applicable

MARSHALL/PUTNAM/WOODFORD COUNTIES REGIONAL OFFICE OF EDUCATION #43
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2007
 (CONTINUED)

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
Not Applicable	

Dollar threshold used to distinguish between
 Type A and Type B programs: \$ Not applicable

Auditee qualified as low-risk auditee yes no X n/a

**MARSHALL/PUTNAM/WOODFORD COUNTIES
REGIONAL OFFICE OF EDUCATION #43
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007**

SECTION II – FINANCIAL STATEMENT FINDINGS

FINDING NO. 07-1 – Controls Over Financial Statement Preparation

CRITERIA/SPECIFIC REQUIREMENT:

The Marshall/Putnam/Woodford Counties Regional Office of Education # 43 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

CONDITION:

The Regional Office of Education #43 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 of Education #43 did not have adequate controls over the maintenance of complete records of accounts receivable and accounts payable. For example, at June 30, 2007, accounts payable of \$874 and accounts receivable of \$9 were not reflected in the Regional Office's accounting records.
- The Regional Office did not maintain adequate internal controls over the financial reporting and the Regional Office's financial information required adjusting entries to present financial statements in accordance with generally accepted accounting principles.

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.

RECOMMENDATION:

As part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education #43 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

MANAGEMENT'S RESPONSE:

The Regional Office of Education #43 understands the nature of this finding and realizes 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 review financial statements would considerably diminish the limited available funds for educational services in the region.

**MARSHALL/PUTNAM/WOODFORD COUNTIES
REGIONAL OFFICE OF EDUCATION #43
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007**

SECTION II – FINANCIAL STATEMENT FINDINGS

FINDING NO. 07-2 – Failure to Fully Insure and Collateralize Cash Balances

CRITERIA/SPECIFIC REQUIREMENT:

The Public Funds Deposit Act (30 ILCS 225/1) gives the authorization for deposits in excess of the federally insured limit to be covered by pledged collateral held by the financial institutions' trust departments in the Regional Office of Education #43's name.

CONDITION:

As of June 30, 2007, the ROE had one cash account with a balance totaling \$101,893 at its financial institution. The Federal Deposit Insurance Corporation (FDIC) covers up to a maximum of \$100,000. The ROE did not have depository insurance or collateral for \$1,893.

EFFECT:

Failure to fully insure and collateralize the full amount of cash and investment balances may result in monetary losses to the ROE in the event of a bank failure.

CAUSE:

According to ROE management, the unsecured amount was an oversight as the balance in this account went over the FDIC insured limit of \$100,000 during the current year.

RECOMMENDATION:

The Marshall/Putnam/Woodford Counties Regional Office of Education #43 should periodically monitor the amount of collateral held on deposits to ensure that an adequate amount is maintained. The ROE should also establish controls for confirming amounts pledged by the financial institution and consider making a formal arrangement with the financial institution to automatically pledge securities for any deposit amounts in excess of the FDIC insurance amounts.

MANAGEMENT'S RESPONSE:

The Marshall/Putnam/Woodford Counties Regional Office of Education #43 will periodically monitor the amount of collateral held on deposits to ensure that an adequate amount is maintained in the financial institution. The ROE has established a program with the financial institution that monitors and covers deposit amounts in excess of the FDIC insurance limit.

MARSHALL/PUTNAM/WOODFORD COUNTIES REGIONAL OFFICE OF EDUCATION #43
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

Section III: Federal Award Findings:

Not Applicable

MARSHALL/PUTNAM/WOODFORD COUNTIES REGIONAL OFFICE OF EDUCATION #43
CORRECTIVE ACTION PLAN
JUNE 30, 2007

Corrective Action Plan

Finding No: 07-1

Condition:

The Regional Office of Education #43 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 of Education #43 did not have adequate controls over the maintenance of complete records of accounts receivable and accounts payable. For example, at June 30, 2007, accounts payable of \$874 and accounts receivable of \$9 were not reflected in the Regional Office's accounting records.
- The Regional Office did not maintain adequate internal controls over the financial reporting and the Regional Office's financial information required adjusting entries to present financial statements in accordance with generally accepted accounting principles.

Corrective Action Plan:

The Regional Office of Education #43 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 review financial statements would considerably diminish the limited available funds for educational services in the region.

Anticipated Date of Completion:

Undetermined

Contact person:

Ronda Bangert, Regional Superintendent

Corrective Action Plan

Finding No: 07-2

Condition:

As of June 30, 2007, the ROE had one cash account with a balance totaling \$101,893 at its financial institution. The Federal Deposit Insurance Company (FDIC) covers up to a maximum of \$100,000. The ROE did not have depository insurance or collateral for \$1,893.

Corrective Action Plan:

The Regional Superintendent established a program with its financial institution that monitors and covers deposit amounts in excess of the FDIC insurance limit.

Anticipated Date of Completion:

Established November 21, 2007

Contact person:

Ronda Bangert, Regional Superintendent

MARSHALL/PUTNAM/WOODFORD COUNTIES REGIONAL OFFICE OF EDUCATION #43
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
06-1	A. Public Act 95-496 repealed the requirements of 105 ILCS 5/3-14.11	Resolved
	B. Public Act 95-496 repealed the requirements of 105 ILCS 5/3-14.5	Resolved
	C. Submit quarterly reports to county board as required under 105 ILCS 5/3-5	Resolved

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARSHALL/PUTNAM/WOODFORD COUNTIES REGIONAL OFFICE OF EDUCATION #43
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

The Regional Office of Education #43 for the counties of Marshall, Putnam, and Woodford provides this Management's Discussion and Analysis of its financial statements. Readers are encouraged to consider the information in conjunction with the Regional Office's financial statements, which follow.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Regional Office of Education #43's financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board and is comprised of the Statement of Net Assets, the Statement of Activities and notes to financial statements.

The Statement of Net Assets presents information on the Regional Office of Education #43's assets and liabilities and the resulting net assets. This statement also reflects the Regional Office of Education #43's investment in capital assets, net of depreciation, and unrestricted fund balances.

The Statement of Activities presents information regarding changes during the fiscal year ended June 30, 2007. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

FINANCIAL HIGHLIGHTS

The Governmental Funds net assets increased from \$24,839 in fiscal year 2006 to \$177,011 in fiscal year 2007.

REPORTING THE OFFICE AS A WHOLE

The government-wide statements report information about the Regional Office of Education #43 as a whole. All of the current year revenues and expenses are accounted for in the statements using accounting methods similar to those used by private-sector companies.

The government-wide statements report the Office's net assets and how they have changed. Net assets are one indicator of the Office's financial health. In addition to increases or decreases in the net assets one must also assess non-financial factors, such as new laws, rules, regulations, and actions by officials at the state level to form an accurate measure of the Office's financial position.

The government-wide financial statements present all of the Office's activities. Local, state and federal sources of revenue are included in these activities.

The fund financial statements provide detailed information about the Office's funds. These individual funds track the source and spending for particular programs. State law requires some funds. The Office establishes other funds for the control and management of funds for particular purposes.

The office has two kinds of funds:

1. Governmental funds account for all of the Office's services. Fund statements provide a detailed view to determine whether there are more or fewer resources available for the Office's programs. These funds include general and special revenue funds.
2. Fiduciary funds are used to account for assets held by the Office in a custodial nature and do not involve measurement of results of operations.

OFFICE-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the financial position of the Office. The Office's net assets on June 30, 2007 indicated an increase of \$152,172. The statement that follows provides a summary of the Office's net assets on June 30, 2007.

	<u>2007</u>	<u>2006</u>
Current assets	\$203,564	\$48,344
Noncurrent assets - capital assets	<u>-</u>	<u>178</u>
Total Assets	<u>\$203,564</u>	<u>\$48,522</u>
Current liabilities	<u>\$ 26,553</u>	<u>\$23,683</u>
Total Liabilities	<u>\$ 26,553</u>	<u>\$23,683</u>
Net assets:		
Invested in capital assets	\$ -	\$ 178
Unrestricted	161,060	7,034
Restricted for teacher professional development	<u>15,951</u>	<u>17,627</u>
Total Net Assets	<u>\$177,011</u>	<u>\$24,839</u>

The Office's net assets increased from \$24,839 to \$177,011. This increase was primarily due to the detachment of the Regional Safe School from the LaSalle Co. Regional Office to the Marshall, Putnam and Woodford Co. Regional Office. In addition, net assets related to the Institute Fund are considered restricted for teacher professional development. The statement that follows shows the changes in net assets for the year ended June 30, 2007.

	<u>2007</u>	<u>2006</u>
Revenues:		
Program Revenues		
State sources	\$118,535	\$ 555
Federal sources	<u>3,938</u>	<u>3,935</u>
Total Program Revenues	<u>\$122,473</u>	<u>\$ 4,490</u>
General Revenues:		
Local sources	\$ 74,026	\$ 39,447
State sources	264,323	3,000
On-behalf payments	244,902	230,821
Interest	<u>3,053</u>	<u>768</u>
Total General Revenues	<u>\$586,304</u>	<u>\$274,036</u>
Total Revenues	<u>\$708,777</u>	<u>\$278,526</u>
Expenses:		
Program Expenses		
Salaries	\$153,091	\$ -
Employee benefits	19,618	-
Purchased services	122,412	41,108
Supplies and materials	13,210	3,460
Payments to other Gov. Units	3,194	-
Depreciation	<u>178</u>	<u>235</u>
Administrative Expenses		
On-behalf payments-State	205,827	190,818
On-behalf payments-Local	<u>39,075</u>	<u>40,003</u>
Total Expenses	<u>\$556,605</u>	<u>\$275,624</u>
Change in net assets	\$152,172	\$ 2,902
Net assets beginning of year	<u>24,839</u>	<u>21,937</u>
Net assets end of year	<u>\$177,011</u>	<u>\$24,839</u>

FINANCIAL ANALYSIS OF THE REGIONAL OFFICE OF EDUCATION #43 FUNDS

The Regional Office of Education #43 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Regional Office of Education #43 is a member of a cooperative with the Regional Office of Education #35 to provide school services to our three-county area. Since the Regional Office of Education #35 is the fiscal agent for that cooperative, the funds directly included in this Office's accounting system are limited.

The Office maintains a recognized "Hot Lunch Program" serving the "Regional Safe Schools Program" students housed on location. All accounting for this program is included in this report. This account is in sound financial condition largely due to the contract and cooperation of the Lowpoint-Washburn CUSD #21, contracted meal provider.

The Office annually prepares a budget for Office Operations, which is submitted to the three county boards serving the area. The fiscal year for this budget runs from December 1 to November 30. Any major increase in this funding level to provide additional operation funds is not realistic at this time due to financial restraints of all three county boards.

The Institute Fund funds were chiefly allocated for expenses incurred in presenting a Teacher Institute in October available to teachers in all school districts in the three counties during FY03, FY04, FY05, FY06 and FY08. For FY07, Institute funds were available to individual school districts at a rate of \$5 per full time equivalent teacher to provide local staff development activities within the school district directly related to individual "School Improvement Plans." These activities have been funded by current Institute Fund dollars plus use of the reserve dollars accumulated during the past years when no Institute program was offered to school districts. Office staff conducts a needs assessment survey with input from local school district teachers and administrators to determine how the use of Institute Funds can best be utilized to meet the needs of the school districts in the region. The increase in revenues and expenditures within the Institute Fund is proportionate to the additional expenses and revenues as a result of adding a superintendent training cohort program from Western Illinois University.

The Bus Driver Training Fund experiences deficit spending. This fund receives very limited revenues from State sources. The fund also collects small participant fees. If the ability to collect additional fees or the level of State support is not increased soon, the Office will have to evaluate the level of services. The Office has already reduced the bus trainings offered from 9 to 6 a year. Due to the large geographic region or time of the year offered, it is less feasible to reduce any more trainings.

The GED Fund has a positive balance. This fund collects participant fees, which are used to reimburse testing sites outside of the Office's area. This Office does not administer the GED test due to the small number of participants, which would dictate infrequent test administration dates. It is felt that use of outside area test administration sites provides more frequent test dates for the benefit of the participants, with little added burden as test sites are within reasonable driving distance.

The Regional Safe Schools Program provides funds to a program that increases safety and promotes the learning environment in schools. The program works to meet the educational needs of severely disruptive students in an alternative learning environment. This fund has a positive balance.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Office has a small amount of Capital Assets. The Capital Assets are limited to office equipment. Much of the equipment used by the Office was purchased and owned by the county governments of the three counties, or the cooperative with Regional Office of Education #35 used to provide school services.

The future financial condition of this Office appears sound, but with the need for continued diligence and adjustments of service delivery. The revenue sources are a function of State funding and allowable participant fees. With no expected State funding increase and no expected increase in allowable participant fees, inflationary cost increases will need to be addressed through sound financial management by making adjustments in service delivery systems and reducing or removing activities to remain fiscally responsible.

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 of funds. If the reader has questions concerning this report or needs additional information regarding its contents, please contact the Regional Superintendent of the Regional Office of Education #43 at 117 South Jefferson Street, Washburn, IL 61570.

BASIC FINANCIAL STATEMENTS

MARSHALL/PUTNAM/WOODFORD COUNTIES REGIONAL OFFICE OF EDUCATION #43
STATEMENT OF NET ASSETS
JUNE 30, 2007

<u>ASSETS</u>	<u>Primary Governmental Activities</u>
Current Assets:	
Cash	\$ 203,555
Due from other governmental units:	
State	9
Federal	-
Total Current Assets	<u>\$ 203,564</u>
Noncurrent Assets:	
Capital assets, being depreciated, net	\$ -
Total Noncurrent Assets	<u>\$ -</u>
Total Assets	<u><u>\$ 203,564</u></u>
 <u>LIABILITIES</u> 	
Current Liabilities:	
Bank overdraft	\$ 599
Due to other governmental units	
State	92
Federal	-
Accounts payable	782
Deferred revenue	25,080
Total Liabilities	<u>\$ 26,553</u>
 <u>NET ASSETS</u> 	
Investment in capital assets, net of related debt	\$ -
Unrestricted	161,060
Restricted for teacher professional development	15,951
Total Net Assets	<u><u>\$ 177,011</u></u>

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

MARSHALL/PUTNAM/WOODFORD COUNTIES REGIONAL OFFICE OF EDUCATION #43
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	Net (Expense) Revenue and Changes in Net Assets		Primary Government
		Governmental	Total
		Activities	
FUNCTIONS/PROGRAMS	Expenses	Program Revenues	Total
Primary government:			
Governmental activities:			
Instructional activities:			
Salaries	\$ 153,091	\$ 84,672	\$ (68,419)
Employee benefits	19,618	16,513	(3,105)
Purchased services	122,412	17,738	(104,674)
Supplies and materials	13,210	3,550	(9,660)
Payments to other governmental units	3,194	-	(3,194)
Depreciation	178	-	(178)
Administrative:			
On-behalf payments-State	205,827	-	(205,827)
On-behalf payments-Local	39,075	-	(39,075)
Total primary government	<u>\$ 556,605</u>	<u>\$ 122,473</u>	<u>\$ (434,132)</u>
General Revenues:			
Local sources		\$ 74,026	\$ 74,026
State sources		264,323	264,323
On-behalf payments		244,902	244,902
Interest		3,053	3,053
Total general revenues		<u>\$ 586,304</u>	<u>\$ 586,304</u>
Change in net assets		\$ 152,172	\$ 152,172
Net assets, beginning		24,839	24,839
Net assets, ending		<u>\$ 177,011</u>	<u>\$ 177,011</u>

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

MARSHALL/PUTNAM/WOODFORD COUNTIES REGIONAL OFFICE OF EDUCATION #43
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

<u>ASSETS</u>	General Fund	Education Fund	Institute Fund	G.E.D. Fund	Bus Driver Fund	Supervisory Fund	Governmental Funds	Total
Cash	\$ -	\$ 155,703	\$ 41,905	\$ 5,879	\$ -	\$ 68	\$ 203,555	
Due from other governmental units:								
State	-	9	-	-	-	-	9	
Federal	-	-	-	-	-	-	-	
Total Assets	\$ -	\$ 155,712	\$ 41,905	\$ 5,879	\$ -	\$ 68	\$ 203,564	
<u>LIABILITIES AND FUND BALANCES</u>								
<u>LIABILITIES:</u>								
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ 599	\$ -	\$ 599	
Due to other governmental units:								
State	-	-	92	-	-	-	92	
Federal	-	-	-	-	-	-	-	
Accounts payable	-	-	782	-	-	-	782	
Deferred revenue	-	-	25,080	-	-	-	25,080	
Total Liabilities	\$ -	\$ -	\$ 25,954	\$ -	\$ 599	\$ -	\$ 26,553	
<u>FUND BALANCES</u>								
Unreserved, reported in:								
General fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Special revenue funds	-	155,712	15,951	5,879	(599)	68	177,011	
Total Fund Balances	\$ -	\$ 155,712	\$ 15,951	\$ 5,879	\$ (599)	\$ 68	\$ 177,011	
Total Liabilities and Fund Balances	\$ -	\$ 155,712	\$ 41,905	\$ 5,879	\$ -	\$ 68	\$ 203,564	

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

MARSHALL/PUTNAM/WOODFORD COUNTIES REGIONAL OFFICE OF EDUCATION #43
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total Fund Balances - Governmental Funds	\$ 177,011
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds	-
Net assets of governmental activities	<u>\$ 177,011</u>

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

MARSHALL/PUTNAM/WOODFORD COUNTIES REGIONAL OFFICE OF EDUCATION #43
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Education Fund	Institute Fund	G.E.D. Fund	Bus Driver Fund	Supervisory Fund	Total Governmental Funds
REVENUES:							
Local sources	\$ -	\$ 2,053	\$ 69,922	\$ 1,347	\$ 704	\$ -	\$ 74,026
State sources	-	379,498	-	-	360	3,000	382,858
Federal sources	-	3,938	-	-	-	-	3,938
Interest	-	1,893	1,160	-	-	-	3,053
Administrative:							
On-behalf payments-State	192,195	13,632	-	-	-	-	205,827
On-behalf payments-Local	39,075	-	-	-	-	-	39,075
Total Revenues	\$ 231,270	\$ 401,014	\$ 71,082	\$ 1,347	\$ 1,064	\$ 3,000	\$ 708,777
EXPENDITURES:							
Current:							
Education:							
Salaries	\$ -	\$ 153,091	\$ -	\$ -	\$ -	\$ -	\$ 153,091
Employee benefits	-	19,618	-	-	-	-	19,618
Purchased services	-	50,134	67,460	1,020	809	2,989.00	122,412
Supplies and materials	-	10,866	2,104	-	240	-	13,210
Payments to other governmental units	-	-	3,194	-	-	-	3,194
Administrative:							
On-behalf payments-State	192,195	13,632	-	-	-	-	205,827
On-behalf payments-Local	39,075	-	-	-	-	-	39,075
Total Expenditures	\$ 231,270	\$ 247,341	\$ 72,758	\$ 1,020	\$ 1,049	\$ 2,989	\$ 556,427
Excess (deficiency) of revenues over expenditures	\$ -	\$ 153,673	\$ (1,676)	\$ 327	\$ 15	\$ 11	\$ 152,350
Fund balances - Beginning	-	2,039	17,627	5,552	(614)	57	24,661
Fund balances - Ending	\$ -	\$ 155,712	\$ 15,951	\$ 5,879	\$ (599)	\$ 68	\$ 177,611

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

MARSHALL/PUTNAM/WOODFORD COUNTIES REGIONAL OFFICE OF EDUCATION #43
 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, 2007

Net change in fund balances	\$	152,350
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	\$	-
Depreciation expense-current year	<u>(178)</u>	<u>(178)</u>
Change in net assets of governmental activities	<u>\$</u>	<u>152,172</u>

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

MARSHALL/PUTNAM/WOODFORD COUNTIES REGIONAL OFFICE OF EDUCATION #43
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007

	Agency Funds
ASSETS:	
Cash	\$ 1,435
Total Assets	<u>\$ 1,435</u>
LIABILITIES:	
Due to others	\$ 1,435
Total Liabilities	<u>\$ 1,435</u>

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Marshall/Putnam/Woodford Counties Regional Office of Education's (ROE) accounting policies substantially comply with the rules prescribed by the Illinois State Board of Education. These accounting policies conform to generally accepted accounting principles, as prescribed by the Governmental Accounting Standards Board, which are appropriate for local governmental units of this type.

A. Financial Reporting Entity

The Regional Office of Education was created by Illinois Public Act 88-89, as amended. The ROE operates under the School Code (105 ILCS 5/3 and 5/3A). The Regional Office of Education #43 encompasses Marshall, Putnam, and Woodford Counties in Illinois. A Regional Superintendent of Schools serves as chief administrative officer of the ROE and is elected pursuant to 105 ILCS 5/3 and 5/3A of the School Code.

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; inspection of public schools; direction of teachers and school officers; to serve as the official advisor and assistant to school officers and teachers; to conduct teachers 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 school treasurer's books, accounts, and vouchers; 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 any monies distributed to treasurers, board presidents, clerks and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education #43'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 by law.

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 her control are properly bonded.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

A. Financial Reporting Entity - continued

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

For the period ended June 30, 2007, the Regional Office of Education #43 applied for, received, and administered State and federal programs and grants in assistance of the educational activities of the school districts in the region. Such activities are reported as a single major special revenue fund (Education Fund).

B. Scope of the Reporting Entity

The ROE's reporting entity includes all related organizations for which it exercises oversight responsibility in accordance with Statement No. 1 of the Governmental Accounting Standards Board.

The ROE has developed criteria to determine whether outside agencies with activities which benefit the citizens of the ROE's geographic responsibility, including joint agreements which serve pupils from numerous school districts, should be included within its financial entity. The criteria include but are not limited to, whether the ROE 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.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Basis of Presentation and Basis of Accounting

The financial activities of the Regional Office of Education #43 consist only of governmental activities. For its reporting purposes, the ROE has separate fund and government-wide financial statements and reconciles individual line items of fund financial data to government-wide data. A brief description of the ROE's government-wide and fund financial statements is as follows:

Government-wide Statements: The government-wide Statement of Net Assets and Statement of Activities report the overall financial activity of the ROE. The financial activities of the ROE consist only of governmental activities, which are primarily supported by State and federal revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the ROE gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. On an accrual basis, revenue from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function (i.e. general government) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the ROE's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining funds are aggregated and reported in a single column.

Governmental Funds - The Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accounting records and reports made by ROE officials are maintained on the cash basis of accounting. Under this method, revenue is recorded when collected and expenditures are recorded when disbursements are made. For purposes of these financial statements, the accounting for all the funds has been converted to the modified accrual basis, as required by generally accepted accounting principles. 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Basis of Presentation and Basis of Accounting – continued

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the ROE; therefore, revenues are recognized based upon the expenditure recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable 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.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Major Funds – Generally accepted accounting principles require that the general fund be reported as a major fund and that all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% of the total for all governmental funds also be reported as major funds. Accordingly, the ROE administers the following major governmental funds:

General Funds - General Funds are the general operating funds of the ROE. These funds account for all financial resources except those required to be accounted for in another fund. The general fund accounts for the ROE's on-behalf payments from the State of Illinois and the counties to pay the salary and benefits of the Regional Superintendent, Assistant Regional Superintendent and clerical staff.

Education Funds – These funds account for funds administered by the ROE. Revenue is provided by federal and State of Illinois grant funds. A description of the ROE's Education funds follows:

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 alternative educational environments.

Alternative Hot Lunch Program - The program accounts for lunch funds administered by the ROE for the alternative school. Revenue is provided by federal and State of Illinois grant funds and local sources.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Basis of Presentation and Basis of Accounting – continued

Institute Fund – This fund accounts for the ROE’s stewardship of the assets held in trust for the benefit of the ROE’s teachers. Fees are collected from registration of teachers’ certificates of qualification. Monies are expended to conduct teachers’ institutes, conferences and workshops.

General Educational Development Fund – This fund accounts for the ROE’s administration of the GED Testing Program. Revenues are received from testing and diploma fees.

Bus Driver Fund This fund accounts for the ROE’s stewardship of the assets held in trust in connection with the Bus Driver Training Program.

Supervisory Fund – This fund accounts for monies from the State of Illinois for expenditures incurred providing supervisory services in the three counties.

Fiduciary Fund Types – Agency Funds are used to account for assets held by the ROE in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Interest earned on distributive funds is distributed to schools and other organizations periodically. A description of the ROE’s fiduciary funds are as follows:

Distributive Fund – This fund accounts for the pass-through of State monies from the Regional Office of Education to the various school districts within the ROE’s geographic responsibility. At any given point in time, total fund assets are equally offset by related liabilities including amounts due to the parties for whom the assets are being held. Agency funds have no fund equity and do not involve measurement of revenues, expenditures, or expenses.

Regional Trustees Fund – This fund accounts for taxpayer deposits used to cover costs of redistricting hearings.

D. Budget and Budgetary Accounting

The ROE does not adopt and is not legally required to adopt a formal budget for all revenues and expenditures of the governmental funds. The Regional Safe Schools program administered by the ROE is subject to budget approval by the State of Illinois.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

E. Assets, Liabilities and Net Assets

Deposits and investments

The ROE's cash and cash equivalents are considered to be demand deposits and short-term investments. The ROE records investments at fair market value in accordance with provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. All investment income is recognized as revenue in the appropriate fund's Statement of Revenues, Expenditures and Changes in Fund Balance.

Receivables and payables

Transactions between funds and other entities that are representative of the recognition of revenues or expenditures are referred to as "due to/from" the other funds or entities. "Other Funds" are funds managed by the ROE. "Other Governmental Units" include the Federal Government or political subdivisions of the State of Illinois.

Accounts payable represents amounts owed at the end of the year that will be paid in the next year. These are amounts due to vendors and others.

Capital assets

Capital assets, which include equipment, are reported in the government-wide financial statements. Capital assets, such as equipment, are defined as assets with a cost of \$500 or more. Capital assets are recorded at historical costs if purchased.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight line method with an estimated useful life of 5 years.

Marshall, Putnam and Woodford Counties provide most of the fixed assets used by the Regional Office of Education #43. Thus, the counties are responsible for those records and the recording of those assets.

Deferred revenue

Deferred revenue arises when resources are received by the ROE before it has a legal claim to them, as when monies are received prior to incurring qualifying expenditures (unearned). In subsequent periods, when both revenue recognition criteria are met, or when the ROE has a legal claim to the resources, revenue is recognized.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

E. Assets, Liabilities and Net Assets - continued

Net assets

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

Investment in capital assets-net of related debt – This category groups all capital assets into one component of net assets. Accumulated depreciation on these assets reduces this category.

Unrestricted net assets – This category represents the net assets of the ROE that are not restricted for any project or other purpose.

Restricted for teacher professional development – Teacher registration fees are to be used to defray expenses connected with improving the technology necessary for the efficient processing of certificates as well as any expenses incidental to teacher institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers. All funds generated remain restricted until expended only on these activities.

F. Use of Estimates

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

G. Intergovernmental Agreement

On July 1, 1998, the Regional Office of Education #43 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 LaSalle County-Putnam, Marshall, Woodford County Service Delivery System. The LaSalle County Regional Office of Education was designated as Administrative Agent and as Director.

The following grants of Marshall/Putnam/Woodford Counties Regional Office of Education #43 were assigned to the LaSalle County - Putnam, Marshall, Woodford County Service Delivery System: Scientific Literacy Program, Illinois Administrators' Academy, ROE Operations, Vocational Instruction Practicum, Internal Review, Truants Alternative Program, Technology-Building Based Innovations, McKinney Education for Homeless, Gifted, Regional Safe Schools, Learning Technology Center, Technology Matters, and Title I - Reading First.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

H. New Accounting Pronouncement

Effective June 30, 2007, the ROE adopted Governmental Accounting Standards Board Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. There was no impact on the ROE’s financial statements as a result of adopting this Statement.

NOTE 2: DEPOSITS AND INVESTMENTS

The deposits and investments of ROE monies are governed by the provisions of the Illinois Revised Statutes. The ROE has no policy regarding custodial credit risk for deposits. At year-end, the carrying amount of the ROE’s deposits totaled \$204,391 (net of bank overdraft, \$599) and the bank balances totaled \$209,365. All but \$1,893 of the ROE’s deposits were covered by federal depository insurance.

NOTE 3: COMMON BANK ACCOUNT

The Regional Office of Education #43 does not maintain separate bank accounts for all funds. The accounting records being maintained show the portion of the common checking account balance attributable to each participating fund.

NOTE 4: DUE TO/FROM OTHERS

Due to others consists of the following at June 30, 2007:

<u>Due to</u>	<u>Fund</u>	<u>Amount</u>
Various school districts and agencies	Distributive	\$ 311
Illinois State Board of Education	Institute Fund	92
Individual taxpayer	Regional Trustees	<u>1,124</u>
Total		<u>\$1,527</u>

Due from others consists of the following at June 30, 2007:

<u>Due from</u>	<u>Fund</u>	<u>Amount</u>
Illinois State Board of Education	Alternative Hot Lunch Fund	<u>\$ 9</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS

Capital asset activity during the 2007 fiscal year was as follows:

	Balance <u>7-1-06</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6-30-07</u>
Equipment	\$1,177	\$ -	\$ -	\$1,177
Less accumulated depreciation	<u>999</u>	<u>178</u>	<u>-</u>	<u>1,177</u>
Total	<u>\$ 178</u>	<u>\$ (178)</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6: ON-BEHALF PAYMENTS

The following 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:

Regional Superintendent salary	\$ 84,737
Regional Superintendent benefits (includes State paid insurance)	19,028
Assistant Regional Superintendent salary	76,263
Assistant Regional Superintendent benefits (includes State paid insurance)	12,166
TRS contributions	<u>13,633</u>
Total	<u>\$205,827</u>

The following salaries and benefit data for other employees of the ROE was calculated based on data provided by Woodford County:

Salaries	\$36,695
Benefits	<u>2,380</u>
Total	<u>\$39,075</u>

NOTE 7: DEFICIT FUND BALANCE

The ROE has a deficit fund balance of \$599 in the Bus Driver Fund.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: RETIREMENT FUND COMMITMENTS

The ROE 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 the 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 nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 2007 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.

In addition, virtually all members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The employer THIS Fund contribution was 0.60 percent during the year ended June 30, 2007, and the member THIS Fund health insurance contribution was 0.80 percent.

The State of Illinois makes contributions directly to TRS on behalf of the ROE's TRS-covered employees.

- On Behalf Contributions

The State of Illinois makes employer pension contributions on behalf of the ROE. For the year ended June 30, 2007, State of Illinois contributions were based on 9.78 percent of creditable earnings, and the ROE recognized revenue and expenditures of \$13,633 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2006 and June 30, 2005, the State of Illinois contribution rates as percentages of creditable earnings were 7.06 percent (\$-0-) and 11.76 percent (\$-0-), respectively.

The ROE makes three other types of employer contributions directly to TRS.

- 2.2 Formula Contributions

Employers contributed 0.58 percent of creditable earnings for the 2.2 formula change. Contributions for the year ended June 30, 2007 were \$808. Contributions for the years ended June 30, 2006 and June 30, 2005, were \$-0- and \$-0-, respectively.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: RETIREMENT FUND COMMITMENTS - continued

- Federal and Trust Fund Contributions

When TRS members are paid from federal and trust funds administered by the ROE, there is a statutory requirement for the ROE 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 trust funds will be the same as the state contribution rate to TRS.

For the year ended June 30, 2007, the employer pension contribution was 9.78 percent of salaries paid from federal and trust funds. For the year ended June 30, 2006, the employer pension contribution was 7.06 percent of salaries paid from those funds. For the year ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2007, there were no salaries paid from federal and trust funds. For the years ended June 30, 2006 and June 30, 2005, required ROE contributions were \$-0- and \$-0-, respectively.

- Early Retirement Option

The ROE 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 and under which ERO program the member retires.

Under Public Act 94-0004, a "Pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007. If members do not meet these conditions, they can retire under the "Modified ERO" program which requires higher member and employer contributions to TRS. Also, under Modified ERO, Public Act 94-0004 eliminates the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service (unless the member qualifies for the Pipeline ERO).

Under the ERO program that expired on June 30, 2005 and the Pipeline ERO, the maximum employer contribution is 100 percent of the member's highest salary used in the final average salary calculation.

Under the Modified ERO, the maximum employer contribution is 117.5 percent. Both the 100 percent and 117.5 percent maximums apply when the member is age 55 at retirement.

For the year ended June 30, 2007, the ROE paid \$-0- to TRS for employer contributions under the Pipeline ERO and Modified ERO programs. For the years ended June 30, 2006 and June 30, 2005, the ROE made no payments under the Early Retirement Option.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: RETIREMENT FUND COMMITMENTS - continued

- Salary Increases Over 6 Percent and Excess Sick Leave

Public Act 94-0004 added two new employer contributions to TRS.

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

For the year ended June 30, 2007, the ROE did not make contributions to TRS due to salary increases in excess of 6 percent as the ROE did not make such increases.

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer 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 (17.60 percent of salary during the year ended June 30, 2007).

For the year ended June 30, 2007, the ROE did not make contributions to TRS due to sick leave days granted in the excess of the normal annual allotment as the ROE did not grant such sick leave days.

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer, and state funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2006. The report for the year ended June 30, 2007 is expected to be available in late 2007. The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, Illinois 62794-9253. The most current report is also available on the TRS Web site at trs.illinois.gov.

SUPPLEMENTARY INFORMATION

MARSHALL/PUTNAM/WOODFORD COUNTIES REGIONAL OFFICE OF EDUCATION #43
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
JUNE 30,2007

	<u>Alternative Hot Lunch</u>	<u>Regional Safe Schools</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 2,154	\$ 153,549	\$ 155,703
Due from other governmental units:			
State	9	-	9
Federal	-	-	-
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 2,163</u>	<u>\$ 153,549</u>	<u>\$ 155,712</u>
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES:			
Accounts payable	\$ -	\$ -	\$ -
	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ -	\$ -	\$ -
FUND BALANCE			
Fund Balance:			
Unreserved	\$ 2,163	\$ 153,549	\$ 155,712
	<hr/>	<hr/>	<hr/>
Total Fund Balance	<u>\$ 2,163</u>	<u>\$ 153,549</u>	<u>\$ 155,712</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	<u>\$ 2,163</u>	<u>\$ 153,549</u>	<u>\$ 155,712</u>

MARSHALL/PUTNAM/WOODFORD COUNTIES REGIONAL OFFICE OF EDUCATION #43
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2007

	Alternative Hot Lunch	Regional Safe Schools	Total
REVENUES:			
Local sources:	\$ 1,819	\$ 234	\$ 2,053
State sources	162	379,336	379,498
Federal sources	3,938	-	3,938
Interest	-	1,893	1,893
On-behalf payments	-	13,632	13,632
	<hr/>		
Total Revenues	\$ 5,919	\$ 395,095	\$ 401,014
	<hr/>		
EXPENDITURES:			
Salaries	\$ -	\$ 153,091	\$ 153,091
Employee benefits	-	19,618	19,618
Purchased services	5,795	44,339	50,134
Supplies and materials	-	10,866	10,866
On-behalf payments	-	13,632	13,632
	<hr/>		
Total Expenditures	\$ 5,795	\$ 241,546	\$ 247,341
	<hr/>		
Excess (deficiency) of revenues over expenditures	\$ 124	\$ 153,549	\$ 153,673
	<hr/>		
Fund Balance - Beginning	2,039	-	2,039
	<hr/>		
Fund Balance - Ending	\$ 2,163	\$ 153,549	\$ 155,712
	<hr/>		

MARSHALL/PUTNAM/WOODFORD COUNTIES REGIONAL OFFICE OF EDUCATION #43
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNT
 FOR THE YEAR ENDED JUNE 30, 2007

	Regional Safe Schools		
	Budgeted Amounts	Actual Amounts	Variance
REVENUES:			
Local sources:	\$ -	\$ 234	\$ 234
State sources	116,318	379,336	263,018
Federal sources	-	-	-
Interest	-	1,893	1,893
On-behalf payments	-	13,632	13,632
Total Revenues	\$ 116,318	\$ 395,095	\$ 278,777
EXPENDITURES:			
Salaries	\$ 84,672	\$ 153,091	\$ (68,419)
Employee benefits	16,513	19,618	(3,105)
Capital outlay	2,000	-	2,000
Purchased services	11,583	44,339	(32,756)
Supplies and materials	1,550	10,866	(9,316)
On-behalf payments	-	13,632	(13,632)
Total Expenditures	\$ 116,318	\$ 241,546	\$ (125,228)
Excess (deficiency) of revenues over expenditures	\$ -	\$ 153,549	\$ 153,549
Fund Balance - Beginning	-	-	-
Fund Balance - Ending	\$ -	\$ 153,549	\$ 153,549

Note: The budget amount reflects only the amounts pertaining to the Regional Safe School grant. The actual amounts reflect grant funds as well as other state funds plus local monies which are not subject to grant budget requirements.

MARSHALL/PUTNAM/WOODFORD COUNTIES REGIONAL OFFICE OF EDUCATION #43
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
JUNE 30, 2007

	Distributive <u>Fund</u>	Regional Trustees <u>Fund</u>	<u>Total</u>
ASSETS:			
Cash	\$ 311	\$ 1,124	\$ 1,435
Total Assets	<u>\$ 311</u>	<u>\$ 1,124</u>	<u>\$ 1,435</u>
LIABILITIES:			
Due to others	\$ 311	\$ 1,124	\$ 1,435
Total Liabilities	<u>\$ 311</u>	<u>\$ 1,124</u>	<u>\$ 1,435</u>

MARSHALL/PUTNAM/WOODFORD COUNTIES
 REGIONAL OFFICE OF EDUCATION #43
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	Balance <u>7/1/2006</u>	Additions	Deductions	Balance <u>6/30/2007</u>
<u>Distributive Fund</u>				
<u>ASSETS</u>				
Cash	\$ 278	\$ 123,802	\$ 123,769	\$ 311
<u>LIABILITIES</u>				
Due to others	\$ 278	\$ 123,802	\$ 123,769	\$ 311
<u>State Teacher Certification Board Fund</u>				
<u>ASSETS</u>				
Cash	\$ 270	\$ -	\$ 270	\$ -
<u>LIABILITIES</u>				
Due to others	\$ 270	\$ -	\$ 270	\$ -
<u>Regional Trustees Fund</u>				
<u>ASSETS</u>				
Cash	\$ 1,724	\$ 1,003	\$ 1,603	\$ 1,124
<u>LIABILITIES</u>				
Due to others	\$ 1,724	\$ 1,003	\$ 1,603	\$ 1,124
<u>Totals All Agency Funds</u>				
<u>ASSETS</u>				
Cash	\$ 2,272	\$ 124,805	\$ 125,642	\$ 1,435
<u>LIABILITIES</u>				
Due to others	\$ 2,272	\$ 124,805	\$ 125,642	\$ 1,435

MARSHALL/PUTNAM/WOODFORD COUNTIES
REGIONAL OFFICE OF EDUCATION #43
SCHEDULE OF DISBURSEMENTS TO OTHER FUNDS
DISTRIBUTIVE FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Regional Office of Education #43
State Free Lunch & Breakfast	\$ 153
Bus Driver Training	360
Regional Safe Schools	116,318
Supervisory Expense	3,000
Federal School Lunch	3,938
	<u>\$ 123,769</u>