

WASHINGTON, PITTMAN & McKEEVER, LLC

*CERTIFIED PUBLIC ACCOUNTANTS AND
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STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AUDIT AND
COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2007

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AUDIT AND
COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2007

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FINANCIAL AUDIT AND
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STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2007

AGENCY OFFICIALS

Board members of the Illinois State Board of Education at June 30, 2007:

Jesse H. Ruiz, Chairperson	Brenda J. Holmes
Christopher J. Ward, Vice-Chairperson	Dr. Andrea S. Brown
Dr. Vinni M. Hall, Secretary	Dr. David Fields
Joyce Karon	Vacant
Dean Clark	

State Superintendent of Education	Christopher A. Koch, Ed.D (May 1, 2007 to Present)
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Interim Superintendent of Education	Christopher A. Koch, Ed.D (December 1, 2006 to April 30, 2007)
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State Superintendent of Education	Dr. Randy J. Dunn (September 20, 2004 to November 30, 2006)
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Cabinet Members at June 30, 2007:

Assistant Superintendent of Operation	Vacant
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General Counsel/Legal	Darren Reisberg
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Directors:

Special Education Services	Beth Hanselman
Operations	Vacant

Teaching and Learning Services For All Children	Ginger Reynolds
Financial, Administrative and Shared Services	Linda Riley Mitchell
Human Resources	Don Evans

Agency offices are located at:

Alzina Building
100 North First Street
Springfield, IL 62777-0001

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



Illinois State Board of Education

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Rod Blagojevich
Governor

Jesse H. Ruiz
Chairman

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

April 8, 2008

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

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Agency. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Agency's compliance with the following assertions during the year ended June 30, 2007. Based on this evaluation, we assert that during the year ended June 30, 2007, the Agency has materially complied with the assertions below.

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

Yours very truly,

Illinois State Board of Education

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

Linda Mitchell
Chief Financial Officer

Darren Reischberg
General Counsel

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2007

COMPLIANCE REPORT

SUMMARY

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

AUDITOR'S REPORT

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

SUMMARY OF FINDINGS

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

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

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (STATE COMPLIANCE)		
07-1	12	Noncompliance with Mandated Duties
07-2	22	Noncompliance with the Fiscal Control and Internal Auditing Act
PRIOR FINDINGS NOT REPEATED		
		None

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2007

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on March 28, 2008. Attending were:

Illinois State Board of Education

Christopher Koch, Ed.D	State Superintendent of Education
Darren Reisberg	General Counsel
Lisa Labonte	Chief Internal Auditor
Robert Wolfe	Division Administrator of Fiscal and Procurement
Ronny Wickenhauser	Division Administrator of Budget and Financial Management

Office of the Auditor General

Jane Clark	Audit Manager
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Washington, Pittman & McKeever, LLC

Dorothy A. McLemore	Principal
Angela T. Allen	Audit Manager
Bola Babatunde	Senior In Charge

Responses to the recommendations were provided by Christopher A. Koch, Ed.D., in a letter dated April 4, 2008.

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

Honorable William G. Holland
Auditor General
State of Illinois

and

The Board Members of the
Illinois State Board of Education

Compliance

As Special Assistant Auditor for the Auditor General, we have examined the Illinois State Board of Education's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2007. The management of the Illinois State Board of Education is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Illinois State Board of Education's compliance based on our examination.

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

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

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

As described in findings 07-1 and 07-2 in the accompanying Schedule of Findings, the Illinois State Board of Education did not comply with requirements regarding laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. Compliance with such requirements is necessary, in our opinion, for the Illinois State Board of Education to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the Illinois State Board of Education complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2007.

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

Internal Control

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

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

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a

requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 07-1 through 07-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings to be material weaknesses.

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

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

Supplementary Information for State Compliance Purposes

As Special Assistant Auditor for the Auditor General, we have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Illinois State Board of Education as of and for the year ended June 30, 2007, which collectively comprise the Illinois State Board of Education's basic financial statements, and have issued our report thereon dated April 8, 2008. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Illinois State Board of Education. The 2007 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2007 taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the Illinois State Board of Education's basic financial statements for the year ended June 30, 2006. In our report dated December 19, 2006, we expressed an unqualified opinion on the respective financial statements of the governmental activities, the major fund, and the aggregate remaining fund information. In our opinion, the 2006 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2006, taken as a whole.

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



WASHINGTON, PITTMAN & McKEEVER, LLC

**Chicago, Illinois
April 8, 2008**

WASHINGTON, PITTMAN & McKEEVER, LLC

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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

and

The Board Members of the
Illinois State Board of Education

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Illinois State Board of Education, as of and for the year ended June 30, 2007, which collectively comprise the Illinois State Board of Education's basic financial statements and have issued our report thereon dated April 8, 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 the Illinois State Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Illinois State Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Illinois State Board of Education's internal control over financial reporting.

A 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.

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 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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We also noted certain matters which we have reported to management of the Illinois State Board of Education in a separate letter dated April 8, 2008.

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


WASHINGTON, PITTMAN & McKEEVER, LLC

Chicago, Illinois
April 8, 2008

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INDEPENDENT ACCOUNTANT'S REPORT
ON AGREED-UPON PROCEDURES

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditor for the Auditor General, we have performed each of the procedures enumerated below, which were agreed to by the Auditor General, solely to assist the users in evaluating management's assertion about the Illinois State Board of Education's compliance with respect to the reporting; during the year ended June 30, 2007, of the statewide high school dropout rate by grade level, sex, race, program categories, and the number of students who graduate from, transfer from, or otherwise leave bilingual programs; by the State Board of Education pursuant to 105 ILCS 5/1A-4. These agreed-upon procedures were performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our findings are as follows:

1. We reviewed the following articles of the School Code: 105 ILCS 5/1A-4, 105 ILCS 5/26-2a, and 105 ILCS 5/26-3a, noting the Agency's mandated duties.
2. We obtained and reviewed the fiscal year 2006 annual report for the State Board of Education, noting an instance of noncompliance with the statute.
3. We documented the Agency's procedures for accumulating and reviewing dropout and transitional bilingual education data.
4. We obtained and reviewed the information submitted by the local school districts via the ISBE Web Application Security (IWAS) System for completion of dropout and other data for a sample of 25 local school districts.
5. We compared dropout data for the 25 selected local school districts on the Agency's Local Area Network (LAN) to the Agency's computerized recap of dropout rates for the 2005-2006 school year. We noted no significant exceptions.

6. We examined the transaction log for the submission date of the completed "End of Year Reports" for the selected districts. We noted no significant exceptions for the submission the 2005-2006 End of Year Reports.
7. We compared dropout data totals, by grade level and by program category, on the computerized recap to those on the 2006 Annual Report, submitted to the Governor and the General Assembly. All dropout totals, by grade level and by program category, on the computerized recap agreed to the report.
8. We reviewed the information submitted by 17 of the sample of 25 local school districts with bilingual education programs for the completion of bilingual education data.
9. We compared bilingual education data for the 17 out of 25 local school districts to the Agency's summary of the number of students in bilingual education programs for 2005-2006. We noted no significant exceptions.
10. We compared bilingual education data totals, on the Annual Student Report, for the 17 out of 25 local school districts to those on the 2006 Annual Report, submitted to the Governor and the General Assembly. We noted no significant exceptions.
11. We examined transmittals for the completed "Annual Student Report" for the school district's submission date. We noted no significant exceptions for the 2005-2006 Annual Student Reports.

Our tests disclosed an instance of noncompliance which we have reported to management in a separate letter dated April 8, 2008.

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

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


WASHINGTON, PITTMAN & McKEEVER LLC

Chicago, Illinois
April 8, 2008

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AND COMPLIANCE EXAMINATION
CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES
FOR THE YEAR ENDED JUNE 30, 2007
STATE COMPLIANCE

FINDING 07-1 Noncompliance with Mandated Duties

The Agency did not comply with duties mandated by State statute. We noted the following:

- The Agency did not submit the Physical Education Report for the year ended June 30, 2006 to the General Assembly and the Governor on or before January 30, 2007. The School Code (105 ILCS 5/2-3.97) requires the Agency to report to the General Assembly and Governor on or before January 30th of every odd-numbered year, the information on the physical education exemption programs for the immediately preceding school year ending June 30. The statute requires the Agency to report the general nature and manner of operation of the physical education exemption programs conducted by school districts; a brief description of the policy adopted by each school district participating in such programs; and the number of pupils participating in these programs, with the grade and by school district. Agency personnel stated the Physical Education Report was not completed due to oversight caused by a change in the administration of the Accountability Division.
- The Agency failed to develop a teacher evaluation plan as required by the School Code. The School Code (105 ILCS 5/24A-6) requires the Agency to develop a teacher evaluation plan which shall parallel as closely as possible the requirements of subsections (a) through (d) of Section 24A-5. Upon receipt of the report from school districts that failed to evaluate their teachers or if otherwise made aware that such evaluations have not been conducted, the Agency shall enter upon the district premises and evaluate the teachers in accordance with an evaluation developed by the Agency. Agency personnel stated the Agency does not believe it is necessary to develop a teacher evaluation plan unless the Agency became aware of districts failing to evaluate teachers as required. The Accountability Division maintains Teacher Evaluation Files that include each school district's teacher evaluation plan. The Regional Superintendent of Schools School Evaluation Form submitted to the Agency includes a question to ensure teachers are evaluated at least once every two school years. In the remote likelihood that the Agency became aware of teachers not receiving evaluations as required, resources are available to allow an evaluation instrument to be developed in a very short timeframe.
- The Agency did not provide grants to charter schools to pay for start-up costs such as educational materials and supplies, textbooks, furniture, and other equipment needed during their initial term. The Agency did not request a budget to fund transition impact aid and start up costs separately. Upon approval of the appropriation, the allocation of the funds was at the discretion of the Agency. The full appropriation was utilized by the Agency for the transition impact aid and nothing was allotted to fund start-up costs. The School code (105 ILCS 5/27A-11.5) requires that a separate appropriation be made for both the transition impact aid and the start up costs. Agency personnel stated that appropriations for charter schools have historically been requested as one line item. Given the lack of funding, it has been agency policy to fund transition impact aid first and start up grants if funds remained.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AND COMPLIANCE EXAMINATION
CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES
(Continued)
FOR THE YEAR ENDED JUNE 30, 2007

FINDING 07-1 Noncompliance with Mandated Duties (Continued)

- The Agency failed to appoint a member to the Illinois Institute for Entrepreneurship Education for the period March 1, 2007 to September 20, 2007. The Agency appointed an employee from the Career and Technical Education Division as member to the Illinois Institute for Entrepreneurship Education on September 21, 2007 replacing the previous appointee, who retired from the Agency on February 28, 2007. The Illinois State University Law (110 ILCS 675/20-115) requires the Agency to appoint one member to the Illinois Institute for Entrepreneurship Education. The appointed member should have expertise and experience in the area of entrepreneurship education, including small business and entrepreneurship. Agency personnel stated the appointment was not made due to oversight.
- The Agency lacked the required number of representatives on the Literacy Advisory Board. The Agency only had one representative on the Literacy Advisory Board during fiscal year 2007. A second representative was appointed by the Superintendent on September 10, 2007, pending approval of Secretary of State. The State Library Act (15 ILCS 320/7.2) requires that two (2) representatives from the Agency be appointed as members of the Literacy Advisory Board and approved by the Secretary of State. Agency personnel stated that the lack of a second representative to the Literacy Advisory Board was due to oversight.
- School Boards of school districts that were awarded the Parental Participation Pilot Project Grant did not submit the annual progress report to the Agency on or before August 1, 2007. The Agency did not receive the annual progress reports from the school districts that were awarded the Parental Participation Pilot Project Grant on or before August 1, 2007. The School Code (105 ILCS 5/2-3.141) requires that the school board of each school district that was awarded the Parental Participation Pilot Project Grant submit an annual progress report to the State Board no later than August 1 of each year that the school district is participating. The project started in fiscal year 2007 (school year 2006 – 2007), hence, the first annual progress report should be submitted on or before August 1, 2007. Agency personnel stated that although all four annual progress reports for the grants were received by the Agency, the deadline of August 1 was not met due to the delayed release of the fiscal year 2008 continuation grant applications for each project. The annual progress reports are embedded in the continuation application and release of these documents was delayed due to staff (re)assignment to work on another Agency priority.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AND COMPLIANCE EXAMINATION
CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES
(Continued)
FOR THE YEAR ENDED JUNE 30, 2007

FINDING 07-1 Noncompliance with Mandated Duties (Continued)

- The Agency failed to obtain the annual performance report of the Reading Improvement Block Grant Program from school districts. Furthermore, the Agency failed to prepare and submit an annual report to the General Assembly on the results of the Reading Improvement Block Grant Program. Eleven (11) out of twenty-five (25) (44%) school districts that were awarded the Reading Improvement Block Grant did not submit the annual performance report to the Agency. As a result the annual report on the results of the Reading Improvement Block Grant could not be prepared and submitted to the General Assembly. The School Code (105 ILCS 5/2-3.51) requires that at the end of each school year, the school districts report to the State Board the performance of progress results of the Reading Improvement Block Grant. The School Code also requires the State Superintendent of Education, in cooperation with the school districts participating in the program, to annually report to the General Assembly the results of the Reading Improvement Block Grant. Agency personnel stated the report was not completed due to employee turnover.

- The Agency did not timely review, approve and process Safety Survey Reports. A certificate of approval was issued for 1 of 15 (6.7%) Safety Survey Reports tested, which was 38 days past the 180 day baseline. The School Code (105 ILCS 5/2-3.12) requires the State Superintendent of Education to approve or deny Safety Survey Reports including recommendations to effectuate compliance and, if approved, issue a certificate of approval. In addition, prudent business practice requires prompt review, approval and processing of information. Approval of the Safety Survey Reports requires the Agency to work with schools, contractors, and architects; based on the prior audit, 90 days was determined to be an adequate processing time period for approval of amendments and 180 days for the Safety Survey Report. Agency personnel stated due to budgetary reductions, staff that reviewed the Safety Survey Reports was significantly reduced from six to one. The Surveys are submitted by all school district/LEAs (except Chicago) throughout the state. However, the district/LEA must submit a survey for each of their school facilities and each of these facilities, many have numerous violations that have to be reviewed and discussed with the district architect and superintendent/business manager/grounds personnel. This may take a significant amount of time dependent upon the additional information/documentation that is required of the architect and/or district staff, preventing approval of the reports in the noted timeframe.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AND COMPLIANCE EXAMINATION
CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES
(Continued)
FOR THE YEAR ENDED JUNE 30, 2007

FINDING 07-1 Noncompliance with Mandated Duties (Continued)

- The Agency was late submitting the Annual Statistical Report to the Governor and General Assembly. Based on transmittal receipts for the Annual Statistical Reports, we noted that the 2005 Report due on January 14, 2006 was submitted on December 29, 2006, 11 ½ months late, and the 2006 Report due on January 14, 2007 was submitted on October 23, 2007, 9 ½ months late. The School Code (105 ILCS 5/2-3.11) requires the Agency to report to the Governor and General Assembly annually on or before January 14 the condition of the schools of the State for the preceding year, ending on June 30. Agency personnel stated the Agency does not possess the required data for the preceding year ending on June 30 in time to submit the Statistical Report to the General Assembly and Governor by the January 14 due date. The Agency has consistently reported data for the year prior to the preceding year in the Statistical Report.
- The Agency did not implement and administer a K through 3 class size reduction program to defray the costs and expenses of operating and maintaining classes in grades K through 3 with an average class size within a specific grade of no more than 20 pupils or to hire teacher aides if a school's facilities are inadequate to allow for this specified class size. The School Code (105 ILCS 5/2-3.136 (a)) requires the Agency to implement and administer a K through 3 class size reduction grant program from State funding to schools that are on the State Board of Education Early Academic Warning List or the academic watch list that maintain grades K through 3 with an average class size of no more than 20 pupils. Agency personnel stated the pilot project has not been in place long enough to gather sufficient data to determine its educational affect on students, therefore, the Agency can't determine the benefits of implementing the program statewide. Furthermore, the Agency estimates the cost of statewide implementation to be in excess of \$600 million which would need to be supplemented by a capital program that would allow schools to build additional classrooms.
- The Agency did not comply with several requirements of the Private Business and Vocational Schools (PBVS) Act (105 ILCS 425/1 thru 425/15). The PBVS Act was established to provide for the protection, education and welfare of the citizens of the State of Illinois; to provide for the education, protection and welfare of the students of its private business and vocational schools; and to facilitate and promote quality education and responsible, ethical business practices in each of the private business and vocational schools enrolling students in this State. The Act establishes an Advisory Council under the supervision of the Agency to carry out the mission of the Act. Agency personnel stated lack of compliance due to various issues including loss of knowledgeable staff from retirements and new and inexperienced staff.
- The Agency failed to submit nominations to the Governor for his appointment to the Illinois Summer School for the Arts Board of Trustees. The Illinois Summer School for the Arts Act (105 ILCS 310/4) requires the Agency to nominate two candidates for consideration by the Governor for each vacancy. The Agency plans to seek repeal of this statute.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AND COMPLIANCE EXAMINATION
CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES
(Continued)
FOR THE YEAR ENDED JUNE 30, 2007

FINDING 07-1 Noncompliance with Mandated Duties (Continued)

The Agency failed to consider certain mandates when establishing the annual budget. We noted noncompliance with the following mandates:

- The Agency did not make grants available for educational programs for gifted and talented children to qualifying school districts. The School Code (105 ILCS 5/14A-45) requires the Agency to make grants available for educational programs for gifted and talented children, subject to the availability of categorical grant funding or other funding appropriated for such purposes.
- The Agency did not implement and administer a grant program to school districts on the academic watch list and school districts that have the lowest achieving students to be used to improve student achievement. No grant program was implemented for Fiscal year 2007 for school districts on the academic watch list and other school districts that have the lowest achieving students as determined by the State Board of Education to be used to improve student achievement. The School code (105 ILCS 5/2-3.25d (e)) states that the Agency, from any moneys it may have available for this purpose, must implement and administer a grant program that provides 2-year grants to school districts on academic watch list and other school districts that have the lowest achieving students, as determined by the Agency to be used to improve student achievement.

The Agency sought repeal of the following mandates in an Amendment to House Bill 2004 introduced in the Spring of 2007. The legislature took no action on this amendment, thus we noted noncompliance with the following:

- The Agency did not initiate and maintain an annual Governor's Recognition Program as required by the School Code. The School Code (105 ILCS 5/2-3.92) requires the Agency to initiate and maintain an annual Governor's Recognition program for premier organizations meeting and exceeding established criteria for a Drug Free Illinois. In addition, the Agency did not make available competitive grants for the purpose of developing drug-free community planning and implementation strategies as required by the School Code. The School Code (105 ILCS 5/2-3.93) requires the Agency to award competitive grants from funds appropriated, to school districts to enhance the prevention and education measures offered in Illinois to assure a drug-free society.
- The Agency did not establish a State level Committee of Cooperative Services. The School Code (105 ILCS 5/13B-35.10 thru 35.20) requires the State Superintendent of Education to convene a State level Committee of Cooperative Services and to approve the Committee's by-laws and procedures. The School Code also requires the Committee of Cooperative Services to advise the State Superintendent of Education on the statewide development, implementation, and coordination of alternative learning opportunities programs.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AND COMPLIANCE EXAMINATION
CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES
(Continued)
FOR THE YEAR ENDED JUNE 30, 2007

FINDING 07-1 Noncompliance with Mandated Duties (Continued)

- The Agency did not make available competitive grants to school districts for the purpose of developing comprehensive arts programs in grades kindergarten through 6 in music, drama, dance and visual arts. The School Code (105 ILCS 5/2-3.65) requires the Agency to award competitive grants from funds appropriated, to school districts to enhance the development of comprehensive arts programs in grades kindergarten through 6 in music, drama, dance, and visual arts.
- The Agency failed to establish and distribute funds for the Alternative Learning Opportunities Program (ALOP). The Agency did not fund the ALOP. The School Code (105 ILCS 5/13B-40.5 thru 13B-40.30) requires the Agency to establish and distribute the maximum available funds for ALOP. Any remaining funds should be used for the supplemental and implementation grant of the ALOP.
- The Agency did not develop a model curriculum as required by the Statute. The School Code (105 ILCS 5/27-23.2) requires the Agency to develop a model curriculum for reduction of self destructive behavior for use in grades 6 through 12 of public schools.
- The Agency did not maintain staff with experience and academic preparation to provide consulting assistance for programs relating to the study of atomic radiation and its peaceful uses. The School Code (105 ILCS 5/27-25.1) requires the Agency to maintain a consulting staff to provide consulting assistance for the planning, operation and evaluation of programs relating to the study of atomic radiation and its peaceful uses.
- The Agency did not make available competitive grants from funds appropriated to school districts, non-profit organizations, math and science academy and colleges and universities for the purpose of providing pilot programs to focus curriculum to improve scientific literacy and establish criteria for the program. Furthermore, the Agency did not create a center on scientific literacy for the purpose of providing technical assistance to school districts in the area of science, mathematics and educational technology. The School Code (105 ILCS 5/2-3.94) requires the Agency to award competitive grants from funds appropriated, to school districts to improve the mathematic, technological and scientific literacy of Illinois students in grades K through 12 in public schools. The School Code (105 ILCS 5/2-3.95) requires the creation of a Center on Scientific Literacy for the purpose of providing technical assistance to school districts in the area of science, mathematics and educational technology.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AND COMPLIANCE EXAMINATION
CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES
(Continued)
FOR THE YEAR ENDED JUNE 30, 2007

FINDING 07-1 Noncompliance with Mandated Duties (Continued)

In addition, during the current audit several recommendations from last year were implemented as follows:

During the prior year, the Agency did not prepare and make available to school boards instructional materials relative to commemorated persons, activities, or events that may be used by school boards in conjunction with any instruction provided in Section 24-2 of the Illinois School Code. During the current audit, we noted the Agency made such information available via its website.

During the prior year, the Agency together with the Capital Development board did not submit the Capital Needs Assessment Report to the General Assembly in a timely manner. During the current audit, we noted that the Report was submitted timely.

During the prior year, the Agency did not make computer literacy and high-tech competency grants available to qualifying school districts. During the current year, our testing noted the School Code (105 ILCS 5/2-3.43) was repealed effective June 1, 2007, therefore, it is no longer a requirement applicable to the Agency. (Finding Code No. 07-1, 06-1, 05-2, 04-6, 03-6, 02-13, 00-9)

Failure to carry out mandated duties is noncompliance with statutory requirements.

RECOMMENDATION

We recommend the Agency develop a system to identify all mandates and develop procedures to ensure compliance.

AGENCY RESPONSE

The Agency is considering development and implementation of an automated system that will allow for tracking of all mandates to which the Agency is subject and identification of the areas in the Agency responsible for compliance.

Physical Education Report -

The Agency is implementing an electronic means for collection of the required information from school districts. The June 2008 Report will be submitted to the Governor and General Assembly by January 30, 2009.

Alternative teacher evaluation plan -

By January 1, 2009 the Agency will develop an Alternative Teacher Evaluation instrument to have available, should it ever be needed.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AND COMPLIANCE EXAMINATION
CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES
(Continued)
FOR THE YEAR ENDED JUNE 30, 2007

AGENCY RESPONSE (Continued)

Charter school start-up grants -

Appropriations for charter schools have historically been requested as one line item. Due to a lack of funding, the Agency funded Transition Impact Aid first and start-up grants if funds remained; insufficient funds were appropriated in fiscal year 2007 to provide for start-up grants. The Agency's fiscal year 2008 Budget Recommendation included separate funding requests for Transition Impact Aid and Charter Schools Start-Up Grants.

Illinois Institute for Entrepreneurship Education -

The Agency currently has appointed the required number of members to this Institute. The Agency will work to ensure that future vacancies on the Institute are filled promptly.

Literacy Advisory Board -

The Agency currently has appointed the required number of representatives to this Board. The Agency will work to ensure that future vacancies on the Board are filled promptly.

Parental Participation Pilot Project -

The Agency plans to release to Parental Participation Pilot Project grant recipients the continuation grant information which includes performance reporting forms in time to allow recipients to return annual progress reports to the Agency by the August 1st deadline.

Reading Improvement Block Grants -

The Agency obtained the necessary information and provided the 2007 report on the results of the Reading Improvement Block Grant program to the General Assembly in January 2008. The Agency is implementing an automated process for obtaining performance report information and has assigned a full-time staff member to the Reading Improvement Block Grant Program to help ensure that the 2008 report on the results of the Reading Improvement Block Grant Program are submitted to the General Assembly prior to the December 2008 due date.

Safety Survey Reports -

The Agency developed and implemented in January 2008 the Health/Life Safety Processing System. This system allows for electronic submission and tracking of the Safety Survey Reports. If documents are not complete and/or additional information is required, Agency staff can electronically deny a portion of or the entire survey resulting in it being returned to the district and engineer/architect for them to revise and resubmit. The automation of this process should result in more timely approval and documentation of delays in the process.

Annual Statistical Report -

The statute requires the Agency to report to the Governor and General Assembly annually on or before January 14 the condition of the schools of the State for the preceding year, ending on June 30. The Agency is currently dependent on school districts to provide the needed data in a timely manner to report on the condition of schools. Not all school districts provide their data for the immediately preceding school year in time for the Agency to be able to report on the condition of schools by mid-January. The future utilization of the Student Identification System in the collection of this data should allow the Agency to report on the condition of schools in a more timely manner.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AND COMPLIANCE EXAMINATION
CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES
(Continued)
FOR THE YEAR ENDED JUNE 30, 2007

AGENCY RESPONSE (Continued)

K through 3 class size reduction program -

The Agency believes it is in compliance with this mandate, as the School Code (105 ILCS 5/2-3.136(a)) states, in part: "From appropriations made for purposes of this Section, the State Board shall award grants to schools" Article VIII, Section 2 of the Illinois Constitution requires all appropriations for the expenditure of funds to be approved by the General Assembly. Since the fiscal year 2007 budget, as approved by the General Assembly and signed by the Governor, did not include an appropriation for the program described in this section of the School Code, the State Board of Education did not implement the program.

Private Business and Vocational Schools (PBVS) Act -

Agency staff is aware of the requirements of the PBVS and are taking action to ensure the Agency's compliance with these requirements.

Illinois Summer School for the Arts Board of Trustees -

The Agency did not consider it necessary to make nominations to the Governor for his appointment to a board that has not been in existence since 2001 for a program that has not operated since 2000. The Agency is considering seeking repeal of this statute.

Annual budget -

The Agency is unaware of any statutory requirement "to consider certain mandates when establishing the annual budget."

Article VIII, Section 2 of the Illinois Constitution requires the Governor to submit an annual budget to the General Assembly, and requires all appropriations for the expenditure of funds to be made by the General Assembly. Furthermore, 20 ILCS 3005 establishes the Governor's Office of Management and Budget as the entity tasked with submitting the annual budget to the General Assembly. Neither the Constitution nor the Governor's Office of Management and Budget Act give authority to the State Board of Education to directly request funding for programs. Additionally, the School Code contains no requirement that the State Board of Education submit an annual budget, though the Agency does submit information, as requested, to the Governor's Office of Management and Budget and to the General Assembly. Additionally, requiring the Agency to request funding for all mandates to which the Agency is subject does not allow for the Board and Agency management to utilize their experience and expertise in prioritizing the limited amount of dollars available in any given year for Pre-K-12 education.

Grants for educational programs for gifted and talented children -

The Agency believes it is in compliance with this mandate, as the School Code (105 ILCS 5/14A-45) states: "Subject to the availability of categorical grant funding or other funding appropriated for such purposes, the State Board of Education shall make grants available to fund educational programs for gifted and talented children." Article VIII, Section 2 of the Illinois Constitution requires all appropriations for the expenditure of funds to be approved by the General Assembly. Since the fiscal year 2007 budget, as approved by the General Assembly and signed by the Governor, did not include an appropriation for the program described in this section of the School Code, the State Board of Education did not implement the program.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AND COMPLIANCE EXAMINATION
CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES
(Continued)
FOR THE YEAR ENDED JUNE 30, 2007

AGENCY RESPONSE (Continued)

Grant program to school districts on the academic watch list -

The Agency believes it is in compliance with this mandate, as the School Code (105 ILCS 5/2-3.25d (e)) states, in part: "The State Board of Education, from any moneys it may have available for this purpose, must implement and administer a grant program" Article VIII, Section 2 of the Illinois Constitution requires all appropriations for the expenditure of funds to be approved by the General Assembly. Since the fiscal year 2007 budget, as approved by the General Assembly and signed by the Governor, did not include an appropriation for the program described in this section of the School Code, the State Board of Education did not implement the program.

Governor's Recognition Program -

The Agency sought repeal of this statute in an amendment to HB 2004, spring 2007; however, no legislative action was taken. The Agency is again seeking repeal of this statute in SB 2482, spring 2008.

State Level Committee of Cooperative Services -

The Agency previously sought repeal of this statute. However, to comply with the statute, the Agency convened a State Level Committee of Cooperative Services, which held its first meeting in January 2008. By-laws for this committee have been drafted and dates set for future meetings.

Competitive grants to school districts for the purpose of developing comprehensive arts programs -

The Agency sought repeal of this statute in an amendment to HB 2004, spring 2007; however, no legislative action was taken. The Agency is again seeking repeal of this statute in SB 2482, spring 2008.

Alternative Learning Opportunities Program (ALOP) -

The Agency sought repeal of this statute in an amendment to HB 2004, Spring 2007; however, no legislative action was taken. The Agency will again seek repeal of this statute in an amendment to SB 2482, Spring 2008.

Curriculum for the reduction of self-destructive behavior -

The Agency sought repeal of this statute in an amendment to HB 2004, spring 2007; however, no legislative action was taken. The Agency is again seeking repeal of this statute in SB 2482, spring 2008.

Consulting assistance for programs relating to the study of atomic radiation and its peaceful uses -

The Agency is unaware of ever receiving any application for providing an educational program on atomic radiation and its peaceful uses. ISBE must prioritize the use of its limited resources and it is not reasonable to have consultants, materials, and demonstration centers, etc., which would not be utilized. The Agency sought repeal of this statute in an amendment to HB 2004, spring 2007; however, no legislative action was taken. The Agency is again seeking repeal of this statute in SB 2482, spring 2008.

Competitive grants -

The Agency sought repeal of 105 ILCS 5/2-3.94 in an amendment to HB 2004, spring 2007; however, no legislative action was taken. The Agency is again seeking repeal of this statute in SB 2482, spring 2008. An amendment will be added to this bill to include 105 ILCS 5/2-3.95 for repeal.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AND COMPLIANCE EXAMINATION
CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES
(Continued)
FOR THE YEAR ENDED JUNE 30, 2007

FINDING 07-2 Noncompliance with the Fiscal Control and Internal Auditing Act

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

Internal Audit did not audit all of the Agency's major systems over the last two years. During fiscal year 2007, Internal Audit performed only two (2) audits. It was also noted Internal Audit completed the required review of one of the two (2) major EDP systems implemented during the year.

The Act requires that audits of major systems of internal accounting and administrative control be conducted on a periodic basis so that all major systems are reviewed at least once every two years. The Act further requires that audits include testing of the obligation, expenditure, receipt and use of public funds of the State and of funds held in trust to determine whether those activities are in accordance with applicable laws and regulations. The Act also requires reviews of the design of major new electronic data processing systems before their installation to ensure the systems provide for adequate audit trails and accountability.

Agency personnel stated turnover and lack of sufficient staffing did not permit Internal Audit to complete the audits needed to meet the requirements of the Act. Appropriate processes were not in place to ensure Internal Audit involvement in all major systems development/modification projects. In addition, staffing levels did not permit Internal Audit to provide adequate coverage of those projects.

The Internal Audit Division cannot assure management that reasonable controls exist if internal controls of major systems of internal accounting and administrative control are not reviewed. The lack of audits of major systems could result in undetected control deficiencies leading to possible errors, misstatements or fraud. In addition, failure to review major electronic data processing systems could lead to the installation of systems that do not provide adequate audit trails and accountability. (Finding Code No. 07-2, 06-2)

RECOMMENDATION

We recommend the Agency allocate adequate resource to the Internal Audit division to ensure audits of major systems are performed at least once every two years as required by the Fiscal Control and Internal Auditing Act. Further, the Agency should reiterate the importance of communication between the Internal Audit and Data Systems divisions to ensure the review of major new electronic data processing systems before their installation.

AGENCY RESPONSE

Internal Audit has not met the requirements for audit coverage of major systems of internal control at least once every two years and reviews of information systems development and modification projects as necessary, due to limited resources. Internal Audit is currently engaged in the process of hiring an additional staff member which would allow audit coverage of all major systems of internal control.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2007

PRIOR FINDINGS NOT REPEATED

NONE

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2007

FINANCIAL STATEMENT REPORT

SUMMARY

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

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

WASHINGTON, PITTMAN & McKEEVER, LLC

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INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditor 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 Illinois State Board of Education, as of and for the year ended June 30, 2007, which collectively comprise the Illinois State Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Illinois State Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the financial statements of the Illinois State Board of Education are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Illinois State Board of Education. They do not purport to, and do not, present the financial position of the State of Illinois as of June 30, 2007, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Illinois State Board of Education 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 April 8, 2008 on our consideration of the Illinois State Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Illinois State Board of Education's basic financial statements. The combining individual governmental funds – General Fund and the combining individual governmental funds – Nonmajor Funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining individual governmental funds – General Fund and the combining individual governmental funds – Nonmajor Funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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


WASHINGTON, PITTMAN & McKEEVER, LLC

Chicago, Illinois
April 8, 2008

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET

AS OF JUNE 30, 2007

(amounts expressed in thousands)

	General Fund	Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Assets
ASSETS					
Unexpended appropriations	\$ 91,386	\$ -	\$ 91,386	\$ -	\$ 91,386
Cash and cash equivalents	1	7,625	7,626	-	7,626
Due from federal government	-	270,333	270,333	-	270,333
Due from local governments	-	18	18	-	18
Other receivables	-	74	74	-	74
Due from other State funds	1,752	697	2,449	-	2,449
Due from component units of the State	260	20	280	-	280
Inventories	-	860	860	-	860
Loans receivable	-	9,277	9,277	-	9,277
Prepaid expenses	-	-	-	852	852
Capital assets not being depreciated	-	-	-	1,063	1,063
Capital assets net of depreciation	-	-	-	1,262	1,262
TOTAL ASSETS	\$ 93,599	\$ 288,904	\$ 382,303	\$ 3,177	\$ 385,480
LIABILITIES					
Accounts payable and accrued liabilities	\$ 4	\$ 9,027	\$ 9,031	\$ -	\$ 9,031
Due to federal government	-	930	930	-	930
Due to local governments	1,647,005	265,357	1,912,362	-	1,912,362
Due to other State funds	164	2,732	2,896	-	2,896
Due to component units of the State	644	1,748	2,392	-	2,392
Deferred revenue	-	10,656	10,656	(10,656)	-
Compensated absences, current portion	-	-	-	312	312
Capital lease, current portion	-	-	-	9	9
Other liabilities, current portion	-	-	-	2,953	2,953
Compensated absences, long-term portion	-	-	-	4,016	4,016
Capital lease, long-term portion	-	-	-	9	9
Other liabilities, long-term portion	-	-	-	5,907	5,907
Total Liabilities	1,647,817	290,450	1,938,267	2,550	1,940,817
FUND BALANCE/NET ASSETS					
Reserved for encumbrances	489	190	679	(679)	-
Reserved for inventories	-	860	860	(860)	-
Reserved for long-term portion of loans receivable	-	5,902	5,902	(5,902)	-
Invested in capital assets, net of related debt	-	-	-	2,307	2,307
Restricted net assets	-	-	-	3,602	3,602
Unreserved, unrestricted	(1,554,907)	(8,498)	(1,563,405)	2,159	(1,561,246)
Total Fund Deficit/Net Deficit	(1,554,418)	(1,546)	(1,555,964)	\$ 627	\$ (1,555,337)
TOTAL LIABILITIES AND FUND DEFICIT	\$ 93,399	\$ 288,904	\$ 382,303		

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET ASSETS

AS OF JUNE 30, 2007

(amounts expressed in thousands)

Total Fund Deficit - governmental funds	\$ (1,555,964)
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	2,325
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Prepaid expenses for governmental activities are current uses of financial resources for funds.	852
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Revenues in the Statement of Activities that do not provide current financial resources are deferred in governmental funds.	10,656
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Some liabilities reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds. These activities consist of:

Capital lease obligations	(18)
Compensated absences	(4,328)
Claims and judgments	(8,860)

NET DEFICIT FROM GOVERNMENTAL ACTIVITIES	<u><u>\$ (1,555,337)</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

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

FOR THE YEAR ENDED JUNE 30, 2007

(amounts expressed in thousands)

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES					
Program expense - education	\$ 6,960,935	\$ 1,818,800	\$ 8,779,735	\$ (2,581)	\$ 8,777,154
Debt service principal	4	4	8	(8)	-
Debt service interest	1	-	1	-	1
Capital outlays	99	76	175	(175)	-
Total Expenditures/Expenses	<u>6,961,039</u>	<u>1,818,880</u>	<u>8,779,919</u>	<u>(2,764)</u>	<u>8,777,155</u>
PROGRAM REVENUES					
Charges for services:					
Licenses and fees	152	1,969	2,121	-	2,121
Total charges for services	<u>152</u>	<u>1,969</u>	<u>2,121</u>	<u>-</u>	<u>2,121</u>
Operating grant revenue:					
Federal	182	1,789,772	1,789,954	3,645	1,793,599
Total operating grant revenue	<u>182</u>	<u>1,789,772</u>	<u>1,789,954</u>	<u>3,645</u>	<u>1,793,599</u>
Net Program Deficit	<u>(6,960,705)</u>	<u>(27,139)</u>	<u>16,987,844</u>	<u>6,109</u>	<u>(6,981,435)</u>
GENERAL REVENUES					
Interest	-	195	195	-	195
Other (net)	9	563	572	-	572
Total General Revenues	<u>9</u>	<u>758</u>	<u>767</u>	<u>-</u>	<u>767</u>
OTHER SOURCES (USES)					
Appropriations from State resources	6,533,555	18,110	6,551,665	-	6,551,665
Reappropriations to future year(s)	(27,673)	-	(27,673)	-	(27,673)
Receipts remitted to State Treasury	(3,922)	-	(3,922)	-	(3,922)
Capital transfers (to) other State agencies	-	-	-	(1)	(1)
Operating transfers - in	-	6,000	6,000	(6,000)	-
Operating transfers - out	(1,000)	(2,825)	(3,825)	6,000	2,175
Proceeds from capital lease financing	13	13	26	(26)	-
Total Other Sources (Uses)	<u>6,500,973</u>	<u>21,298</u>	<u>6,522,271</u>	<u>(27)</u>	<u>6,522,244</u>
Change in fund balances/net assets	(459,723)	(5,083)	(464,806)	<u>\$ 6,382</u>	(458,424)
Lapsed appropriations	(34,284)	(14)	(34,298)		(34,298)
Fund Balances/Net Assets July 1, 2006	<u>(1,060,411)</u>	<u>3,551</u>	<u>(1,056,860)</u>		<u>(1,062,615)</u>
FUND DEFICIT/NET DEFICIT JUNE 30, 2007	<u>\$ (1,554,418)</u>	<u>\$ (1,546)</u>	<u>\$ (1,555,964)</u>		<u>\$ (1,555,337)</u>

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

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

FOR THE YEAR ENDED JUNE 30, 2007

(amounts expressed in thousands)

Net Change in Fund Balance - governmental funds	\$	(464,806)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation exceeded capital outlays in the current period.		(337)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		8
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets the obligation is reported as a liability.		(26)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the decrease in unavailable revenue over the prior year.		3,645
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:		
Increase in prepaid expenses		361
Decrease in compensated absences		67
Decrease in claims and judgments		2,665
Some capital assets were transferred out to other State agencies and, therefore, were disposed of by the Agency without receipt for value.		(1)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>(458,424)</u>

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

1. ORGANIZATION

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

The Illinois State Board of Education is organized to provide leadership, advocacy, and support for the work of school districts, policymakers, and citizens in making Illinois education *Second to None*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

FINANCIAL REPORTING ENTITY

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

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

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

BASIS OF PRESENTATION

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

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

The statement of 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 (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

Additionally, the Agency administers the following fund type:

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

The Agency has no significant revenue sources which are susceptible to accrual. All revenue sources including federal grants, fees and other miscellaneous revenues are considered to be measurable and available only when cash is received.

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

SHARED FUND PRESENTATION

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

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

Unexpended Appropriation

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

Appropriations from State Resources

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

Reappropriations to Future Year(s)

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

Lapsed Appropriations

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

Receipts Collected and Transmitted to State Treasury

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

CASH AND CASH EQUIVALENTS

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

INVENTORIES

Inventories, consisting primarily of agricultural commodities and paper, printing and office supplies are valued at cost, principally on the first-in, first-out (FIFO) method. Commodities are recorded at the value assigned to the commodities by the donor, the U.S. Department of Agriculture. Inventories of governmental funds are recorded as expenditures when consumed rather than purchased.

INTERFUND TRANSACTIONS AND TRANSACTIONS WITH STATE OF ILLINOIS COMPONENT UNITS

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

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

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

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

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

CAPITAL ASSETS

Capital assets, which include property, plant and equipment, are reported at cost. Contributed assets are reported at estimated fair value at the time received. Capital assets are depreciated using the straight-line method.

Capitalization thresholds and the estimated useful lives are as follows:

<u>Capital Asset Category</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$100,000	n/a
Land Improvements	25,000	n/a
Site Improvements	25,000	3-50 years
Buildings	100,000	10-60 years
Building Improvements	25,000	10-45 years
Equipment	5,000	3-25 years

COMPENSATED ABSENCES

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

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

FUND BALANCES

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

NET ASSETS

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

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

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

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

USE OF ESTIMATES

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

FUTURE ADOPTION OF GASB STATEMENTS

Effective for the year ending June 30, 2008 the Agency will adopt GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenue*, which established accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. The Agency has not yet determined the impact of the Agency's financial statements as a result of adopting this statement.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

3. DEPOSITS

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

Deposits in the custody of the State Treasurer, including cash on hand or in transit, totaled \$7.626 million at June 30, 2007. These deposits are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Agency does not own individual securities. Detail on the nature of these deposits is available within the State of Illinois' Comprehensive Annual Financial Report.

4. INTERFUND BALANCES AND ACTIVITY

BALANCES DUE TO/FROM OTHER FUNDS

The following balances (amounts expressed in thousands) at June 30, 2007 represent amounts due from other funds of the Agency and other State of Illinois funds.

Fund	Due from other funds of the Agency	Due from other State funds	Description/Purpose
General	\$ -	\$ 1,752	Grants for educational purposes
Nonmajor Governmental	-	697	Grants for educational purposes
Total	<u>\$ -</u>	<u>\$ 2,449</u>	

The following balances (amounts expressed in thousands) at June 30, 2007 represent amounts due to other funds of the Agency and other State of Illinois funds.

Fund	Due to other funds of the Agency	Due to other State funds	Description/Purpose
General	\$ -	\$ 164	Grants for educational purposes
Nonmajor Governmental	-	2,732	Grants for educational purposes and for federal food service programs
Total	<u>\$ -</u>	<u>\$ 2,896</u>	

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

TRANSFERS TO/FROM OTHER FUNDS

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2007, were as follows:

Fund	Transfers in from other funds of the Agency	Transfers in from other State funds	Description/Purpose
General	\$ -	\$ -	N/A
Nonmajor Governmental	1,000	5,000	Transfer from General fund for loan programs, from fund closures, and from DHS.
Total	<u>\$ 1,000</u>	<u>\$ 5,000</u>	

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2007, were as follows:

Fund	Transfers out to other funds of the Agency	Transfers out to other State funds	Description/Purpose
General	\$ 1,000	\$ -	Transfer to Agency nonmajor governmental funds for loan programs and to other State funds for Early Intervention Program.
Nonmajor Governmental	-	2,825	Statutory transfers to other State funds for budget shortfalls.
Total	<u>\$ 1,000</u>	<u>\$ 2,825</u>	

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

5. BALANCES AND ACTIVITY BETWEEN THE AGENCY AND COMPONENT UNITS

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

Amounts due to/from discretely presented component units of the State of Illinois at June 30, 2007 were as follows (amounts expressed in thousands):

Fund	Due from component units	Due to component units	Description/Purpose
General	\$ 260	\$ 644	Grants for educational purposes
Nonmajor Governmental	20	1,748	Grants for educational purposes and for federal food service programs
Total	\$ 280	\$ 2,392	

6. LOANS RECEIVABLE

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

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

Loans receivable balances reported by the Agency at June 30, 2007 consist of short-term amounts due (amounts due within one year) and long-term amounts due (amounts due after one year). These amounts are categorized below:

<u>Program</u>	<u>Balance June 30, 2007</u>	<u>Short-Term Balance</u>	<u>Long-Term Balance</u>
School District Emergency Financial Assistance Program	\$ 3,500	\$ 583	\$ 2,917
Charter Schools Revolving Loan Program	34	15	19
School Technology Revolving Loan Program	4,656	2,525	2,131
Temporary Relocation Revolving Loan Program	<u>1,087</u>	<u>252</u>	<u>835</u>
Total	<u>\$ 9,277</u>	<u>\$ 3,375</u>	<u>\$ 5,902</u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

7. CAPITAL ASSETS

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deletions	Net Transfers	Balance June 30, 2007
Capital assets not being depreciated:					
Land	\$ 1,063	\$ -	\$ -	\$ -	\$ 1,063
Total capital assets not being depreciated	1,063	-	-	-	1,063
Capital assets being depreciated:					
Buildings	436	-	-	-	436
Equipment	7,065	149	(102)	(83)	7,029
Capital leases equipment	-	26	-	-	26
Total capital assets being depreciated	7,501	175	(102)	(83)	7,491
Less: accumulated depreciation					
Buildings	220	9	-	-	229
Equipment	5,681	494	(102)	(82)	5,991
Capital leases equipment	-	9	-	-	9
Total accumulated depreciation	5,901	512	(102)	(82)	6,229
Total capital assets being depreciated, net	1,600	(337)	-	(1)	1,262
TOTAL CAPITAL ASSETS, NET	\$ 2,663	\$ (337)	\$ -	\$ (1)	\$ 2,325

Depreciation expense for governmental activities for the year ended June 30, 2007 was charged to the Education function in the amount of \$512 thousand.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

8. LONG-TERM OBLIGATIONS

CHANGES IN LONG-TERM OBLIGATIONS

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2007 were as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Amounts due within 1 year
Compensated absences	\$ 4,395	\$ 2,627	\$ 2,694	\$ 4,328	\$ 312
Capital lease obligations	-	26	8	18	9
Other obligations	12,609	-	3,749	8,860	2,953
TOTAL	\$ 17,004	\$ 2,653	\$ 6,451	\$ 13,206	\$ 3,274

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

CAPITAL LEASE OBLIGATIONS

The Agency leases office equipment with a historical cost and accumulated depreciation of \$26 thousand and \$9 thousand, respectively, under capital lease arrangements. Although lease terms vary, certain leases are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered noncancelable leases for financial reporting. Future minimum lease payments (amounts expressed in thousands) at June 30, 2007 are as follows:

Year Ending June 30	Principal	Interest	Total
2008	\$ 9	\$ 1	\$ 10
2009	9	1	10
Total	<u>\$ 18</u>	<u>\$ 2</u>	<u>\$ 20</u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

9. PENSION PLAN

PLAN DESCRIPTION

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

The financial position and results of operations of the SERS and the TRS for fiscal year 2007 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2007. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255 or by calling (217) 785-7202. The TRS also issues a separate CAFR that may be obtained by writing to the TRS, P.O. Box 19253, Springfield, Illinois, 62794-9253 or by calling (217) 753-0311. The State of Illinois CAFR may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1858 or by calling (217) 782-2053.

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

FUNDING POLICY

For employees covered by the SERS, the Agency pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2007, the employer contribution rates for the SERS were 11.525%. Effective for pay periods beginning after December 31, 1991, the State opted to pay the entire employee portion of retirement for most State agencies, including the Agency, with employees covered by the State Employees' Retirement System. However, effective with the fiscal year 2004 budget, the State opted to stop paying the portion or a part of the portion of retirement for many State agencies, including the Agency, for certain classes of employees covered by the State Employees' and Teachers' Retirement Systems. The pickup, when applicable, is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies. Currently, State officers, judges, general assembly members, and State university employees are not eligible for the employee pickup. The fiscal year 2007 employer contribution rate to the SERS for alternative formula employees was 11.525%.

For employees covered by the TRS, the Agency pays employer retirement contributions based on a statutory based percentage of .58%. For employees paid from federal funds, the fiscal year

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NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

2007 employer contribution rate to the TRS was 9.78%. In addition, the State of Illinois makes employer contributions "on behalf" of TRS covered employees. For the year ended June 30, 2007, State contributions were based on 9.4% of creditable earnings.

10. POST-EMPLOYMENT BENEFITS

The State provides health, dental and life insurance benefits for certain retirees and their dependents. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health and dental benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to \$5,000 per annuitant age 60 and older.

Costs incurred for health, dental and life insurance for annuitants and their dependents were not separated from benefits provided to active employees and their dependents for the year ended June 30, 2007. However, post-employment costs for the State as a whole for all State agencies for dependent health, dental and life insurance for annuitants and their dependents are disclosed in the Illinois Comprehensive Annual Financial Report for the State. Cost information for retirees by individual State agency is not available. Payments are made on a "pay-as-you-go" basis.

11. FUND DEFICITS

The following funds had deficit balances at June 30, 2007 (amounts expressed in thousands):

General Revenue Fund (001)	\$1,555,580
Drivers Education Fund (031)	17,925
SBE Federal Agency Service Fund (560)	10

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

12. RISK MANAGEMENT

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

The Agency's risk management activities for self-insurance, unemployment insurance and workers' compensation are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the General fund of the State. These claims are not considered to be a liability of the Agency; and accordingly, have not been reported in the Agency's financial statements for the year ended June 30, 2007.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

13. OTHER OBLIGATIONS

A lawsuit against the City of Chicago and the Agency has resulted in a settlement requiring the Agency to pay \$19.25 million over 7 years to the Chicago Public School District 299 to assist the district in providing special education services to identified eligible children within the least restrictive environment. The settlement, reached in July 1999, requires the Agency to pay \$2.75 million per year through January 2006. Due to the district's failure to disburse an adequate amount of the Agency's portion of the settlement for the intended purpose, the Agency has paid only \$10.39 million of the settlement amount through June 30, 2007. In fiscal year 2005, a federal judge extended the ruling through the end of the 2009-2010 school year. This ruling allowed for the Agency to restructure the payments for the remaining \$14.13 million due the district through fiscal year 2010. The Agency's Federal Department of Education Fund, a nonmajor governmental fund, is expected to be used to repay the liability of \$8.86 million from future resources of this fund. As of June 30, 2007, the current and long term portions of the obligation are \$2.953 and \$5.907 million, respectively.

14. COMMITMENTS AND CONTINGENCIES

OPERATING LEASES

The Agency leases office space under the terms of a noncancelable operating lease agreement that requires the Agency to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was \$2.5 million for the year ended June 30, 2007.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2008	\$ 2,500
2009	2,500
2010	2,500
2011	2,500
Total	<u>\$ 10,000</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL FUNDING

The Agency receives federal grants which are subject to review and audit by federal grantor agencies. Certain costs could be questioned as not being eligible expenditures under the terms of the grants. At June 30, 2007, there were no material questioned costs that had not been resolved with the federal awarding agencies. However, questioned costs could still be identified during audits to be conducted in the future. Management of the Agency believes there will be no material adjustments to the federal grants and, accordingly, has not recorded a provision for possible repayment.

LITIGATION

The Agency is named as a defendant in four separate lawsuits in which the plaintiffs claim the following: claims of personal injury stemming from tainted chicken tenders allegedly consumed by students; a claim that the Agency's structure of funding and reimbursement for special education creates a financial incentive for school districts to place students out of the district into private facilities; a claim that alleges that cost of living adjustments were not paid to Regional Superintendents of Schools and Assistant Regional Superintendents of Schools in violation of the Illinois Constitution and state statute; and a claim regarding breach of a lease agreement.

In each of the above lawsuits, it is reasonably possible that the Agency will be found liable for losses estimated to be between \$400,000 and \$950,000.

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

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COMBINING INDIVIDUAL GOVERNMENTAL FUNDS - GENERAL FUND
BALANCE SHEET

AS OF JUNE 30, 2007

(amounts expressed in thousands)

	General Revenue Fund (001)	Education Assistance Fund (007)	Common School Fund (412)	Total
ASSETS				
Cash and cash equivalents	\$ 1	\$ -	\$ -	\$ 1
Due from other State funds	1,295	227	230	1,752
Due from component units of the State	46	-	214	260
Unexpended appropriation	69,214	18,256	3,916	91,386
TOTAL ASSETS	\$ 70,556	\$ 18,483	\$ 4,360	\$ 93,399
LIABILITIES				
Accounts payable and accrued liabilities	\$ 4	\$ -	\$ -	\$ 4
Due to local government	1,625,900	17,654	3,451	1,647,005
Due to other State funds	80	84	-	164
Due to component units of the State	152	430	62	644
Total Liabilities	1,626,136	18,168	3,513	1,647,817
FUND BALANCES				
Reserved for:				
Encumbrances	-	87	402	489
Unreserved:				
Undesignated	(1,555,580)	228	445	(1,554,907)
Total Fund Balance (Deficit)	(1,555,580)	315	847	(1,554,418)
TOTAL LIABILITIES AND FUND BALANCES	\$ 70,556	\$ 18,483	\$ 4,360	\$ 93,399

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

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

FOR THE YEAR ENDED JUNE 30, 2007

(amounts expressed in thousands)

	<u>General Revenue Fund (001)</u>	<u>Education Assistance Fund (007)</u>	<u>Common School Fund (412)</u>	<u>Total</u>
REVENUES				
Federal government	\$ 182	\$ -	\$ -	\$ 182
Licenses and fees	152	-	-	152
Other revenues	9	-	-	9
Total Revenues	<u>343</u>	<u>-</u>	<u>-</u>	<u>343</u>
EXPENDITURES				
Education	2,258,493	1,394,516	3,307,926	6,960,935
Debt Service:				
Principal	4	-	-	4
Interest	1	-	-	1
Capital outlay	99	-	-	99
Total Expenditures	<u>2,258,597</u>	<u>1,394,516</u>	<u>3,307,926</u>	<u>6,961,039</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(2,258,254)</u>	<u>(1,394,516)</u>	<u>(3,307,926)</u>	<u>(6,960,696)</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	1,803,767	1,399,717	3,330,071	6,533,555
Reappropriation to fiscal year 2008	(27,673)	-	-	(27,673)
Operating transfers-out	(1,000)	-	-	(1,000)
Capital lease	13	-	-	13
Receipts remitted to State Treasury	(1,686)	(1,839)	(397)	(3,922)
Net Other Sources (Uses) of Financial Resources	<u>1,773,421</u>	<u>1,397,878</u>	<u>3,329,674</u>	<u>6,500,973</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET OTHER SOURCES (USES) OF FINANCIAL RESOURCES	<u>(484,833)</u>	<u>3,362</u>	<u>21,748</u>	<u>(459,723)</u>
Lapsed appropriations	(10,240)	(3,126)	(20,918)	(34,284)
Fund Balances (Deficit) July 1, 2006	<u>(1,060,507)</u>	<u>79</u>	<u>17</u>	<u>(1,060,411)</u>
FUND BALANCES (DEFICIT) JUNE 30, 2007	<u><u>\$ (1,555,580)</u></u>	<u><u>\$ 315</u></u>	<u><u>\$ 847</u></u>	<u><u>\$ (1,554,418)</u></u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMBINING INDIVIDUAL GOVERNMENTAL FUNDS - NONMAJOR FUNDS
BALANCE SHEET

AS OF JUNE 30, 2007

(amounts expressed in thousands)

	Special Revenue Funds			
	Teacher Certificate Fee Revolving Fund (016)	Drivers Education Fund (031)	School District Emergency Financial Assistance Fund (130)	S.B.E. Special Purpose Fund (144)
ASSETS				
Cash and cash equivalents	\$ 862	\$ -	\$ 51	\$ 567
Due from federal government	-	-	-	-
Due from local governments	-	-	15	-
Other receivables	-	-	-	7
Due from other State funds	-	5	-	-
Due from component units of the State	-	-	-	-
Inventories	-	-	-	-
Loans receivable	-	-	3,500	-
TOTAL ASSETS	<u>\$ 862</u>	<u>\$ 5</u>	<u>\$ 3,566</u>	<u>\$ 574</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 31	\$ -	\$ -	\$ -
Due to federal government	-	-	-	-
Due to local governments	-	17,930	-	-
Due to other State funds	-	-	-	25
Due to component units of the State	-	-	-	-
Deferred revenue	-	-	-	-
Total Liabilities	<u>31</u>	<u>17,930</u>	<u>-</u>	<u>25</u>
FUND BALANCES				
Reserved for:				
Encumbrances	-	-	-	190
Inventories	-	-	-	-
Long-term portion of loans receivable	-	-	2,917	-
Unreserved:				
Undesignated	831	(17,925)	649	359
Total Fund Balance (Deficit)	<u>831</u>	<u>(17,925)</u>	<u>3,566</u>	<u>549</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 862</u>	<u>\$ 5</u>	<u>\$ 3,566</u>	<u>\$ 574</u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMBINING INDIVIDUAL GOVERNMENTAL FUNDS - NONMAJOR FUNDS
BALANCE SHEET

AS OF JUNE 30, 2007

(amounts expressed in thousands)

	<u>Special Revenue Funds</u>			
	<u>S.B.E. Teacher Certification Institute Fund (159)</u>	<u>S.B.E. Federal Dept. of Agriculture Fund (410)</u>	<u>S.B.E. Federal Agency Service Fund (560)</u>	<u>S.B.E. Federal Dept. of Education Fund (561)</u>
ASSETS				
Cash and cash equivalents	\$ 1,143	\$ 1,095	\$ 49	\$ 1,731
Due from federal government	-	30,889	183	239,261
Due from local governments	-	-	-	-
Other receivables	-	32	-	-
Due from other State funds	-	41	6	645
Due from component units of the State	-	-	-	20
Inventories	-	860	-	-
Loans receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 1,143</u>	<u>\$ 32,917</u>	<u>\$ 238</u>	<u>\$ 241,657</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 51	\$ 8,945
Due to federal government	-	-	6	924
Due to local governments	-	27,277	162	219,988
Due to other State funds	-	385	-	2,322
Due to component units of the State	-	111	-	1,637
Deferred revenue	-	3,836	29	6,791
Total Liabilities	<u>-</u>	<u>31,609</u>	<u>248</u>	<u>240,607</u>
FUND BALANCES				
Reserved for				
Encumbrances	-	-	-	-
Inventories	-	860	-	-
Long-term portion of loans receivable	-	-	-	-
Unreserved				
Undesignated	1,143	448	(10)	1,050
Total Fund Balance (Deficit)	<u>1,143</u>	<u>1,308</u>	<u>(10)</u>	<u>1,050</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,143</u>	<u>\$ 32,917</u>	<u>\$ 238</u>	<u>\$ 241,657</u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMBINING INDIVIDUAL GOVERNMENTAL FUNDS - NONMAJOR FUNDS
BALANCE SHEET

AS OF JUNE 30, 2007

(amounts expressed in thousands)

	Special Revenue Funds				Total
	Charter Schools Revolving Loan Fund (567)	School Infrastructure Fund (568)	School Technology Revolving Loan Program Fund (569)	Temporary Relocation Expenses Rev. Grant Fund (605)	
ASSETS					
Cash and cash equivalents	\$ 68	\$ -	\$ 1,518	\$ 541	\$ 7,625
Due from federal government	-	-	-	-	270,333
Due from local governments	-	-	3	-	18
Other receivables	-	30	5	-	74
Due from other State funds	-	-	-	-	697
Due from component units of the State	-	-	-	-	20
Inventories	-	-	-	-	860
Loans receivable	34	-	4,656	1,087	9,277
TOTAL ASSETS	\$ 102	\$ 30	\$ 6,182	\$ 1,628	\$ 288,904
LIABILITIES					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 9,027
Due to federal government	-	-	-	-	930
Due to local governments	-	-	-	-	265,357
Due to other State funds	-	-	-	-	2,712
Due to component units of the State	-	-	-	-	1,748
Deferred revenue	-	-	-	-	10,656
Total Liabilities	-	-	-	-	290,450
FUND BALANCES					
Reserved for:					
Encumbrances	-	-	-	-	190
Inventories	-	-	-	-	860
Long-term portion of loans receivable	19	-	2,131	835	5,902
Unreserved:					
Undesignated	83	30	4,051	793	18,498
Total Fund Balance (Deficit)	102	30	6,182	1,628	(1,546)
TOTAL LIABILITIES AND FUND BALANCES	\$ 102	\$ 30	\$ 6,182	\$ 1,628	\$ 288,904

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

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

FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Funds			
	Teacher Certificate Fee Revolving Fund (016)	Drivers Education Fund (031)	School District Emergency Financial Assistance Fund (130)	S.B.E. Special Purpose Trust Fund (144)
REVENUES				
Federal government	\$ -	\$ -	\$ -	\$ -
Licenses and fees	1,495	-	-	-
Interest	-	-	24	-
Other revenues	-	-	-	2
Total Revenues	<u>1,495</u>	<u>-</u>	<u>24</u>	<u>2</u>
EXPENDITURES				
Education	2,075	17,994	-	4,751
Debt service-principal	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>2,075</u>	<u>17,994</u>	<u>-</u>	<u>4,751</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(580)</u>	<u>(17,994)</u>	<u>24</u>	<u>(4,749)</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	-	18,005	-	-
Capital lease and installment purchase acquisition	-	-	-	-
Operating transfers-in	-	-	-	5,000
Operating transfers-out	-	-	(1,381)	-
Net Other Sources (Uses) of Financial Resources	<u>-</u>	<u>18,005</u>	<u>(1,381)</u>	<u>5,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES) OF FINANCIAL RESOURCES	<u>(580)</u>	<u>11</u>	<u>(1,357)</u>	<u>251</u>
Lapsed appropriations	-	(11)	-	-
Fund Balances (Deficit) July 1, 2006	<u>1,411</u>	<u>(17,925)</u>	<u>4,923</u>	<u>298</u>
FUND BALANCES (DEFICIT) JUNE 30, 2007	<u>\$ 831</u>	<u>\$ (17,925)</u>	<u>\$ 3,566</u>	<u>\$ 549</u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

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

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Special Revenue Funds</u>			
	<u>S.B.E. Teacher Certification Institute Fund (159)</u>	<u>S.B.E. Federal Dept. of Agriculture Fund (410)</u>	<u>S.B.E. Federal Agency Services Fund (560)</u>	<u>S.B.E. Federal Dept. of Education Fund (561)</u>
REVENUES				
Federal government	\$ -	\$ 503,492	\$ 858	\$ 1,285,422
Licenses and fees	474	-	-	-
Interest	-	-	-	-
Other revenues	-	57	-	132
Total Revenues	474	503,549	858	1,285,554
EXPENDITURES				
Education	233	507,143	887	1,285,391
Debt service-principal	-	-	-	4
Capital outlay	-	11	-	65
Total Expenditures	233	507,154	887	1,285,460
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	241	(3,605)	(29)	94
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	-	-	-	-
Capital lease and installment purchase acquisition	-	-	-	13
Operating transfers-in	-	-	-	-
Operating transfers-out	-	-	-	-
Net Other Sources (Uses) of Financial Resources	-	-	-	13
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES) OF FINANCIAL RESOURCES	241	(3,605)	(29)	107
Lapsed appropriations	-	-	-	-
Fund Balances (Deficit) July 1, 2006	902	4,913	19	943
FUND BALANCES (DEFICIT) JUNE 30, 2007	\$ 1,143	\$ 1,308	\$ (10)	\$ 1,050

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

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

FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Funds				Total
	Charter Schools Revolving Loan Fund (567)	School Infrastructure Fund (568)	School Technology Revolving Loan Program Fund (569)	Temporary Relocation Expenses Rev. Grant Fund (605)	
REVENUES					
Federal government	\$ -	\$ -	\$ -	\$ -	\$ 1,789,772
Licenses and fees	-	-	-	-	1,969
Interest	-	-	171	-	195
Other revenues	-	-	371	1	563
Total Revenues	-	-	542	1	1,792,499
EXPENDITURES					
Education	3	72	-	251	1,818,800
Debt service-principal	-	-	-	-	4
Capital outlay	-	-	-	-	76
Total Expenditures	3	72	-	251	1,818,880
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3)	(72)	542	(250)	(26,381)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Appropriations from State resources	-	105	-	-	18,110
Capital lease and installment purchase acquisition	-	-	-	-	13
Operating transfers-in	-	-	-	1,000	6,000
Operating transfers-out	(1,200)	-	(244)	-	(2,825)
Net Other Sources (Uses) of Financial Resources	(1,200)	105	(244)	1,000	21,298
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES) OF FINANCIAL RESOURCES	(1,203)	33	298	750	(5,083)
Lapsed appropriations	-	(13)	-	-	(14)
Fund Balances (Deficit) July 1, 2006	1,305	-	5,884	878	3,551
FUND BALANCES (DEFICIT) JUNE 30, 2007	\$ 102	\$ 30	\$ 6,182	\$ 1,628	\$ (1,546)

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2007

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

Fiscal Schedules and Analysis:

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

Analysis of Operations:

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

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

(amounts expressed in thousands)

	Federal CFDA Number	Federal Expenditures	Awards to Subrecipients
U.S. Department of Agriculture			
Food Donation	10.550	\$ 32,721	\$ 32,721
School Breakfast Program	10.553	63,572	62,559
National School Lunch Program	10.555	288,639	286,914
Special Milk Program for Children	10.556	3,027	3,027
Child and Adult Care Food Program	10.558	107,242	105,625
Summer Food Service Program for Children	10.559	8,959	8,638
State Administrative Expenses for Child Nutrition	10.560	5,779	334
Team Nutrition Grant	10.574	156	156
		<hr/>	<hr/>
Total U.S. Department of Agriculture		510,095	499,974
U.S. Department of Education			
Title I Grants to Local Educational Agencies	84.010	519,959	516,138
Migrant Education - State Grant Program	84.011	1,618	1,615
Title I Program for Neglected and Delinquent Children	84.013	1,033	-
Special Education - Grants to States	84.027	446,127	434,039
Vocational Education - Basic Grants to States	84.048	46,314	25,846
Migrant Education Coordination Program	84.144	121	107
Special Education - Preschool Grants	84.173	18,012	16,262
Safe and Drug Free Schools and Communities National Programs	84.184	(42)	-
Safe and Drug-Free Schools and Communities - State Grants	84.186	11,395	11,089
Education for the Homeless Children and Youth	84.196	2,578	2,518
Even Start - State Educational Agencies	84.213	4,359	4,129
Fund For Improvement of Education	84.215K	748	748
Fund For Improvement of Education	84.215	87	-
Tech-Prep Education	84.243	4,152	-
21st Century Community Learning Centers	84.287	40,554	38,334
State Grants For Innovative Programs	84.298	4,887	4,861
Education Technology State Grants	84.318	8,468	7,900
Special Education on State Personnel Development	84.323	1,610	1,175

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

(amounts expressed in thousands)

	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Awards to Subrecipients</u>
Research in Special Education	84.324	\$ 61	\$ 60
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326C	346	346
IDEA General Supervisor Enhancement	84.326X	24	-
Advanced Placement Program	84.330	1,289	1,016
Comprehensive School Reform Demonstration	84.332	2,142	1,995
Transition to Teaching	84.350	315	260
Reading First State Grants	84.357	30,753	29,434
Rural Education	84.358	406	377
English Language Acquisition Grants	84.365	28,610	28,072
Mathematics/Science Partnership	84.366	5,005	4,162
Improving Teacher Quality State Grant	84.367	110,880	109,314
Grants for State Assessment and Related Activities	84.369	16,484	3
Hurricane Education Recovery Act	84.938	1,966	1,966
		<u>1,310,261</u>	<u>1,241,766</u>
Total U.S. Department of Education			
U.S. Department of Health and Human Services			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	255	1
Corporation of National and Community Service			
Learn and Serve America - School and Community Based Programs	94.004	633	633
			<u>\$ 1,742,374</u>
Total Awards to Subrecipients			
Total Expenditures of Federal Awards		<u>\$ 1,821,244</u>	

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2007

1. GENERAL

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

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. Expenditures for the Food Donation Program (CFDA #10.550) represent the value of donated commodities received from the U.S. Department of Agriculture (USDA) and made available to approved sponsors of other federally funded meal programs. The commodities were valued based on USDA price lists.

3. INDIRECT COSTS

The Agency may claim indirect cost reimbursements for all of its federal award programs. The indirect cost rate established with the U.S. Department of Education for allocating indirect costs to federal award programs is 21.5 percent of allowable direct costs of each federal award administered by the Agency.

4. DESCRIPTION OF MATERIAL FEDERAL AWARD PROGRAMS

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

A. U.S. DEPARTMENT OF AGRICULTURE

The Agency accounted for the revenues and expenditures of all USDA awards in the SBE Federal Department of Agriculture Fund (410).

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

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

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

FOR THE YEAR ENDED JUNE 30, 2007

- **Food Donation Program (CFDA #10.550)**
The purpose of this program is to make agricultural commodities available to approved sponsors of other federally funded meal programs as a supplement to cash grants.
- **Child and Adult Care Food Program (CFDA #10.558)**
The purpose of this program is to provide reimbursements to approved program sponsors for a portion of the cost of providing nutritious meals to eligible children and adults where they do not have access to other federally funded meal programs.
- **State Administration Expenses for Child Nutrition (CFDA #10.560)**
The purpose of this program is to provide funds to State Agencies for administrative expenses incurred in supervising and providing technical support to approved sponsors of child nutrition programs.

B. U.S. DEPARTMENT OF EDUCATION

The Agency accounted for the revenues and expenditures of all U.S. Department of Education awards in the SBE Federal Department of Education Fund (561).

- **Title I Grants to Local Educational Agencies (CFDA #84.010)**
The purpose of this program is to help local education agencies and schools improve the teaching and learning of children failing, or most at-risk of failing to meet challenging State academic standards.
- **Migrant Education – State Grant Program (CFDS #84.011)**
The purpose of this program is to assist States to ensure that migratory children have the opportunity to meet the same challenging State content and performance standards that all children are expected to meet.
- **Title I Program for Neglected and Delinquent Children (CFDA #84.013)**
The purpose of this program is to provide education continuity for children and youth in State institutions (Department of Corrections) for juveniles and in adult correctional institutions, so that they can make successful transition to school or employment once they are released from State institutions.
- **Special Education - Grants to States (CFDA #84.027)**
The purpose of this program is to provide grants to States to assist them in providing a free appropriate public education to all children with disabilities.
- **Vocational Education - Basic Grants to States (CFDA #84.048)**
The purpose of this program is to develop more fully the academic, vocational, and technical skills of secondary and postsecondary students who elect to enroll in vocational and technical programs.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

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

FOR THE YEAR ENDED JUNE 30, 2007

- **Special Education - Preschool Grants (CFDA #84.173)**
The purpose of this program is to provide grants to States to assist them in providing a free appropriate public education to preschool disabled children aged three through five years.
- **Safe and Drug-Free Schools and Communities - State Grants (CFDA #84.186)**
The purpose of this program is to support the national education goal that every school in the United States will be free of drugs, violence, firearms and alcohol, and will offer a disciplined environment conducive to learning.
- **Education for the Homeless Children and Youth (CFDA #84.196)**
The purpose of this program is to address the problems that homeless children and youth face in enrolling, attending, and succeeding in school. The state agency shall ensure that homeless children and youth have equal access to the same free, appropriate public education as provided to other children and youth.
- **Even Start - State Educational Agencies (CFDA #84.213)**
The purpose of this program is to help break the cycle of poverty and illiteracy and improve the educational opportunities of low-income families by integrating early childhood education, adult literacy or adult basic education and parenting education into a unified family literacy program.
- **Improvement of Education (CFDA #84.215)**
The purpose of this program is to conduct nationally significant programs to improve the quality of education, assist all students to meet challenging State content standards, and contribute to the achievement of elementary and secondary students.
- **Tech-Prep Education (CFDA #84.243)**
The purpose of this program is to distribute funds to States to enable them to provide planning and demonstration grants to consortia of local education agencies and postsecondary education agencies for the development and operation of four-year programs designed to provide a tech-prep education program leading to a two-year associate degree or a two-year certificate and to provide, in a systematic manner, strong, comprehensive links between secondary schools and postsecondary educational institutions.
- **21st Century Community Learning (CFDA #84.287)**
The purpose of this program is to provide academically focused after-school programs, particularly to students who attend high-poverty, low performing schools, to help those students meet State and local performance standards in core academic subjects, and to offer families of participating students opportunities for literacy and other related educational development.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

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

FOR THE YEAR ENDED JUNE 30, 2007

- **State Grants for Innovative Purposes (CFDA #84.298)**
The purpose of this program is to assist State and local educational agencies in the reform of elementary and secondary education.
- **Education Technology State Grants (CFDA #84.318)**
The purpose of this program is to provide grants to State educational agencies on a formula basis to support the development and implementation of systematic technology plans at the State, local and school levels to improve the teaching and learning of all children.
- **Comprehensive School Reform Demonstration (CFDA #84.332)**
The purpose of this program is to improve public education by pursuing comprehensive school reform as part of a district-wide school improvement strategy. Schools, working with their central offices, teachers and parents, develop a comprehensive school reform model based on reliable research and effective practices that fit their students' needs to achieve the Illinois Learning Standards.
- **Reading First State Grants (CFDA #84.357)**
The purpose of this program is to use research-based instructional methods to see that students, K – 3, in qualifying districts and schools learn to read well by grade 3; and to see that teachers in qualifying districts and schools develop and use reading teaching strategies that have foundations in effective, relevant research.
- **English Language Acquisition Grants (CFDA #84.365)**
The purpose of this program is to assist school districts in teaching English to limited-English-proficient students and in helping these students meet the same challenging State standards required of all other students.
- **Mathematics/Science Partnership (CFDA #84.366)**
The purpose of this program is to improve the academic achievement of students in mathematics and science by encouraging states, institutions of higher education (IHEs), local educational agencies (LEAs), and elementary and secondary schools to participate in programs that: improve and upgrade the status and stature of mathematics and science teaching by encouraging IHEs to improve mathematics and science teacher education; focus on the education of mathematics and science teachers as a career-long process; bring mathematics and science teachers together with scientists, mathematicians, and engineers to improve their teaching skills; and develop more rigorous mathematics and science curricula that are aligned with state and local academic achievement standards expected for postsecondary study in engineering, mathematics, and science.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

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

FOR THE YEAR ENDED JUNE 30, 2007

- **Improving Teacher Quality State Grants (CFDA #84.367)**
The purpose of this program is to provide grants to State educational agencies, local educational agencies, State agencies for higher education, and eligible partnerships in order to: increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools; and hold educational agencies and schools accountable for improvements in student academic achievement.

- **Grants for State Assessment and Related Activities (CFDA #84.369)**
The purpose of this program is to develop and implement additional assessments for grades 4, 6, and 7 in reading and mathematics, as required by the No Child Left Behind (NCLB) Act. This program is to provide the States with funding for the cost of developing the additional assessments and standards being required. These funds are then to be utilized to develop, refine, expand, improve and ensure continued validity and reliability of the State assessment program. The major emphasis of the funds is to improve classroom teacher knowledge and skills on assessment in addition to assessment development.

- **Hurricane Education Recovery Act (CFDA #84.938)**
The purpose of this program is to assist in meeting the educational needs of individuals and educational institutions affected by hurricanes in the Gulf of Mexico in calendar year 2005.

5. NON-CASH AWARDS

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2007

	Appropriations (Net of Transfers) (1)	Expenditures through June 30, 2007 (2)	Lapse Period Expenditures July-August (2)	Total Expenditures (2)	Balances	
					Reappropriated July 1, 2007	Lapsed Balances (2)
GENERAL REVENUE FUND - 001						
Personal Services	\$ 14,112,300	\$ 13,946,234	\$ 2,940	\$ 13,949,174	\$ -	\$ 163,126
Employee Retirement Contribution						
Paid by the State	535,400	473,694	701	473,795	-	61,605
State Employees' Teachers' Retirement	709,600	693,277	30,418	723,695	-	(14,095)
Social Security	542,600	430,809	30	430,839	-	111,761
Contractual Services	5,837,700	4,577,532	698,463	5,275,995	-	561,705
Travel	313,700	269,867	22,831	292,698	-	21,002
Commodities	99,100	58,648	38,666	97,314	-	1,786
Printing	85,200	66,117	19,077	85,194	-	6
Equipment	160,900	67,987	92,629	160,616	-	284
Telecommunications	355,600	259,068	61,575	320,643	-	35,017
Operation of Automobile Equipment	22,500	14,417	7,995	22,412	-	88
Interfund Cash Transfers	1,000,000	1,000,000	-	1,000,000	-	-
Lump Sum and Other Purposes	23,907,000	16,769,204	6,894,941	23,664,145	-	242,855
Awards and Grants	1,756,085,822	1,658,008,739	61,349,541	1,719,358,280	27,672,646	9,054,896
Total General Revenue Fund	1,803,767,422	1,696,634,933	69,219,807	1,765,854,740	27,672,646	10,249,936
EDUCATION ASSISTANCE FUND - 007						
Awards and Grants	1,399,716,700	1,378,286,957	18,303,329	1,396,590,286	-	3,126,414
TEACHER CERTIFICATE FEE REVOLVING FUND - 016						
Personal Services	\$ 781,100	\$ 735,010	\$ (6,826)	\$ 728,184	-	\$ 52,916
Employee Retirement Contribution						
Paid by the State	23,700	22,966	-	22,966	-	734
State Employees' Teachers' Retirement	37,700	30,146	-	30,146	-	7,554
Social Security	52,900	23,366	-	23,366	-	29,534
Group Insurance	188,500	167,527	-	167,527	-	20,973
Lump Sum and Other Purposes	1,399,000	1,065,112	38,152	1,103,264	-	295,736
Total Teacher Certificate Fee Revolving Fund	2,482,900	2,044,127	31,326	2,075,453	-	407,447

STATE OF ILLINOIS
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SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2007

	Appropriations (Net of Transfers) (1)	Expenditures through June 30, 2007 (2)	Lapse Period Expenditures (July-August) (2)	Total Expenditures (2)	Balances Reappropriated July 1, 2007	Lapsed Balances (2)
DRIVERS EDUCATION FUND - 031						
Personal Services	\$ 48,200	\$ 47,642	-	47,642	\$ -	\$ 558
Employee Retirement Contribution	2,500	1,906	-	1,906	-	594
Paid by the State	500	287	-	287	-	213
State Employees/Teachers' Retirement	1,700	660	-	660	-	1,040
Social Security	17,500	13,719	-	13,719	-	3,781
Group Insurance	5,000	-	-	-	-	5,000
Refunds	17,929,600	17,929,499	-	17,929,499	-	101
Awards and Grants						
Total Drivers Education Fund	18,005,000	17,995,713	-	17,995,713	-	11,287
SCHOOL DISTRICT EMERGENCY FINANCIAL ASSISTANCE FUND - 130						
Awards and Grants	1,000,000	-	-	-	-	1,000,000
SBE SPECIAL PURPOSE TRUST FUND - 144						
Lump Sum and Other Purposes	15,500,000	4,931,168	214,750	5,145,918	-	10,354,082
SBE TEACHER CERTIFICATION INSTITUTE FUND - 159						
Lump Sum and Other Purposes	1,008,900	233,419	323	233,742	-	775,158

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2007

	Appropriations (Net of Transfers) (1)	Expenditures through June 30, 2007 (2)	Lapse Period Expenditures (July - August) (2)	Total Expenditures (2)	Balances Reappropriated July 1, 2007	Lapsed Balances (2)
SBE FEDERAL DEPARTMENT OF AGRICULTURE						
FUND - 410						
Personal Services	\$ 3,596,500	\$ 3,056,231	\$ 5,587	\$ 3,061,818	\$ -	\$ 534,682
Employee Retirement Contribution						
Paid by the State	221,500	106,430	216	106,646	-	114,854
State Employees/Teachers' Retirement	457,500	332,235	580	332,815	-	104,685
Social Security	191,100	81,028	78	81,106	-	109,994
Group Insurance	775,400	674,279	-	674,279	-	101,121
Contractual Services	2,500,000	1,212,242	194,896	1,407,138	-	1,092,862
Travel	300,000	211,415	35,483	246,898	-	53,102
Commodities	75,000	57,969	4,694	62,663	-	12,337
Printing	75,000	48,266	6,692	54,958	-	20,042
Equipment	75,000	73,090	100	73,190	-	1,810
Telecommunications	50,000	24,175	7,621	31,796	-	18,204
Awards and Grants	475,000,000	443,901,327	27,397,500	471,298,827	-	3,791,173
Total SBE Federal Department of Agriculture Fund	483,296,800	449,778,687	27,653,247	477,431,934	-	5,864,866
COMMON SCHOOL FUND - 412						
Awards and Grants	3,330,071,200	3,305,240,942	3,912,063	3,309,153,005	-	20,918,195
SBE FEDERAL AGENCY SERVICES						
FUND - 560						
Personal Services	186,100	82,841	-	82,841	-	103,259
Employee Retirement Contribution						
Paid by the State	7,300	3,314	-	3,314	-	3,986
State Employees/Teachers' Retirement	13,900	8,925	-	8,925	-	4,975
Social Security	15,000	939	-	939	-	14,061
Group Insurance	43,500	14,513	-	14,513	-	28,987
Contractual Services	215,000	100,507	49,990	150,497	-	64,503
Travel	30,000	8,382	323	8,705	-	21,295
Commodities	9,000	8,337	393	8,730	-	2,70
Printing	2,000	-	-	-	-	2,000
Equipment	11,000	-	-	-	-	11,000
Telecommunications	9,000	253	88	341	-	8,659
Awards and Grants	4,500,000	522,663	162,138	684,801	-	3,815,199
Total SBE Federal Agency Services Fund	5,041,800	750,674	212,932	963,606	-	4,078,194

STATE OF ILLINOIS
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SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2007

	Appropriations (Net of Transfers) (1)	Expenditures through June 30, 2007 (2)	Lapse Period Expenditures (July-August) (2)	Total Expenditures (2)	Balances	
					Reappropriated July 1, 2007	Lapsed Balances (2)
	\$	\$	\$	\$	\$	\$
SBE FEDERAL DEPARTMENT OF EDUCATION						
FUND - 561						
Personal Services	13,211,900	11,263,700	2,858	11,266,558	-	1,945,342
Employee Retirement Contribution	485,300	400,645	52	400,697	-	84,603
Paid by the State	1,267,400	1,230,168	218	1,230,386	-	57,014
State Employees' Teachers' Retirement	473,500	317,967	69	318,036	-	155,464
Social Security	2,809,400	2,163,043	839	2,163,882	-	645,518
Group Insurance	13,634,800	4,916,362	1,868,367	6,784,729	-	6,850,071
Contractual Services	1,350,000	618,700	76,132	694,832	-	655,168
Travel	305,000	44,351	20,878	65,229	-	239,771
Commodities	341,000	7,013	-	7,013	-	333,987
Printing	380,000	223,641	10,816	234,457	-	145,543
Equipment	400,000	80,192	65,577	145,769	-	254,231
Telecommunications	21,780,300	11,761,327	7,072,650	18,773,957	-	3,006,343
Lump Sum and Other Purposes	1,629,360,000	1,048,239,995	223,709,473	1,271,949,468	-	357,410,532
Awards and Grants						
Total SBE Federal Department of Education Fund	1,685,798,640	1,081,207,104	232,827,909	1,314,035,013	-	371,763,587

**CHARTER SCHOOLS REVOLVING LOAN
FUND - 567**

Awards and Grants	20,000	-	-	-	-	20,000
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SCHOOL INFRASTRUCTURE FUND - 568

Personal Services	81,300	81,265	-	81,265	-	35
Employee Retirement Contribution	3,300	3,251	-	3,251	-	49
Paid by the State	500	490	-	490	-	10
State Employees' Teachers' Retirement	2,400	1,148	-	1,148	-	1,252
Social Security	17,500	16,020	-	16,020	-	1,480
Group Insurance						
Total School Infrastructure Fund	105,000	102,174	-	102,174	-	2,826

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SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND RAISED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2007

	Appropriations (Net of Transfers) (1)	Expenditures through June 30, 2007 (2)	Lapse Period Expenditures (July-August) (2)	Total Expenditures (2)	Balances Reappropriated July 1, 2007	Lapsed Balances (2)
SCHOOL TECHNOLOGY REVOLVING LOAN						
PROGRAM FUND - 569						
Awards and Grants	\$ 5,000,000	\$ 2,055,563	\$ -	\$ 2,055,563	\$ -	\$ 2,944,437
	1,400,000	1,209,562	1	1,209,563	-	199,437
	8,752,214,322	7,941,369,023	352,375,687	8,293,744,710	27,672,046	430,796,966
NONAPPROPRIATED FUNDS						
Refunds						
SBE FEDERAL DEPARTMENT OF AGRICULTURE						
FUND 410	-	347,525	119,576	467,101	-	-
SBE FEDERAL AGENCY SERVICES						
FUND - 560	-	86	-	86	-	-
SBE FEDERAL DEPARTMENT OF EDUCATION						
FUND - 561	-	348,820	-	348,820	-	-
Total Nonappropriated Funds	-	1,096,431	119,576	1,216,007	-	-
Total All Funds	\$ 8,752,214,322	\$ 7,942,465,454	\$ 352,495,263	\$ 8,294,960,717	\$ 27,672,046	\$ 430,796,966

(1) Public Acts 94-0798 and 95-0144

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	<u>2007</u>	<u>2006</u>
<i>GENERAL REVENUE FUND - 001</i>		
Appropriations (Net of Transfers)	\$ 1,803,767,422	\$ 1,682,384,035
Expenditures		
Personal Services	13,949,174	14,337,285
Employee Retirement Contribution		
Paid by the State	473,795	501,482
State Employees'/Teachers' Retirement	723,695	403,029
Social Security	430,839	433,562
Contractual Services	5,275,995	12,744,537
Travel	292,698	313,868
Commodities	97,314	59,511
Printing	85,194	81,559
Equipment	160,616	70,345
Telecommunications	320,583	414,835
Operation of Automotive Equipment	22,412	19,294
Lump Sum and Other Purposes	23,664,145	462,877
Awards and Grants	1,719,358,280	1,600,755,975
Interfund Cash Transfers	1,000,000	450,000
	<hr/>	<hr/>
Total Expenditures	1,765,854,740	1,631,048,159
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Reappropriated to next fiscal year	27,672,646	28,215,622
	<hr/>	<hr/>
Lapsed Balances	10,240,036	23,120,254
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<i>EDUCATION ASSISTANCE FUND - 007</i>		
Appropriations (Net of Transfers)	1,399,716,700	1,141,275,000
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Expenditures		
Awards and Grants	1,396,590,286	1,137,485,369
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Lapsed Balances	3,126,414	3,789,631
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STATE OF ILLINOIS
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COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	<u>2007</u>	<u>2006</u>
<i>TEACHER CERTIFICATION FEE REVOLVING FUND - 016</i>		
Appropriations (Net of Transfers)	\$ 2,482,900	\$ 3,113,700
Expenditures		
Personal Services	728,184	873,833
Employee Retirement Contribution		
Paid by the State	22,966	28,532
State Employees'/Teachers' Retirement	30,146	68,930
Social Security	23,366	30,588
Group Insurance	167,527	200,463
Lump Sum and Other Purposes	1,103,264	1,126,787
Total Expenditures	2,075,453	2,329,133
Lapsed Balances	407,447	784,567
<i>DRIVERS EDUCATION FUND - 031</i>		
Appropriations (Net of Transfers)	18,005,000	15,813,800
Expenditures		
Personal Services	47,642	42,394
Employee Retirement Contribution		
Paid by the State	1,906	1,696
State Employees'/Teachers' Retirement	287	255
Social Security	660	582
Group Insurance	13,719	14,595
Awards and Grants	17,929,499	15,748,009
Total Expenditures	17,993,713	15,807,531
Lapsed Balances	11,287	6,269

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	<u>2007</u>	<u>2006</u>
<i>SCHOOL DISTRICT EMERGENCY FINANCIAL ASSISTANCE FUND - 130</i>		
Appropriations (Net of Transfers)	\$ 1,000,000	\$ 1,000,000
Expenditures	-	-
Lapsed Balances	1,000,000	1,000,000
<i>SBE SPECIAL PURPOSE TRUST FUND - 144</i>		
Appropriations (Net of Transfers)	15,500,000	17,300,000
Expenditures		
Lump Sum and Other Purposes	5,145,918	15,851,741
Lapsed Balances	10,354,082	1,448,259
<i>SBE TEACHER CERTIFICATION INSTITUTE FUND - 159</i>		
Appropriations (Net of Transfers)	1,008,900	125,000
Expenditures		
Lump Sum and Other Purposes	233,742	-
Lapsed Balances	775,158	125,000

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	2007	2006
<i>SBE FEDERAL DEPARTMENT OF AGRICULTURE FUND - 410</i>		
Appropriations (Net of Transfers)	\$ 483,296,800	\$ 457,799,500
Expenditures		
Personal Services	3,061,618	3,104,499
Employee Retirement Contribution		
Paid by the State	106,646	112,123
State Employees'/Teachers' Retirement	332,815	245,213
Social Security	81,106	86,820
Group Insurance	674,279	730,126
Contractual Services	1,407,138	1,216,796
Travel	246,898	255,790
Commodities	62,663	31,745
Printing	54,958	71,323
Equipment	73,190	47,872
Telecommunications	31,796	32,809
Awards and Grants	471,298,827	447,017,684
Total Expenditures	477,431,934	452,952,800
Lapsed Balances	5,864,866	4,846,700
<i>COMMON SCHOOL FUND - 412</i>		
Appropriations (Net of Transfers)	3,330,071,200	3,286,059,600
Expenditures		
Awards and Grants	3,309,153,005	3,276,403,258
Lapsed Balances	20,918,195	9,656,342

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	<u>2007</u>	<u>2006</u>
<i>SBE FEDERAL AGENCY SERVICE FUND - 560</i>		
Appropriations (Net of Transfers)	5,041,800	6,075,200
Expenditures		
Personal Services	82,841	66,400
Employee Retirement Contribution		
Paid by the State	3,314	2,619
State Employees'/Teachers' Retirement	8,925	5,269
Social Security	939	1,220
Group Insurance	14,513	11,867
Contractual Services	150,497	49,620
Travel	8,705	8,233
Commodities	8,730	2,400
Printing	-	1,472
Equipment	-	1,500
Telecommunications	341	222
Awards and Grants	684,801	943,590
Total Expenditures	963,606	1,094,412
Lapsed Balances	4,078,194	4,980,788

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	<u>2007</u>	<u>2006</u>
<i>SBE FEDERAL DEPARTMENT OF EDUCATION FUND - 561</i>		
Appropriations (Net of Transfers)	\$ 1,685,798,600	\$ 1,699,250,500
Expenditures		
Personal Services	11,266,558	11,308,347
Employee Retirement Contribution		
Paid by the State	400,697	424,618
State Employees'/Teachers' Retirement	1,230,386	893,204
Social Security	318,036	306,781
Group Insurance	2,163,882	2,300,477
Contractual Services	6,784,729	25,009,342
Travel	694,832	718,694
Commodities	65,229	135,139
Printing	7,013	25,565
Equipment	234,457	95,996
Telecommunications	145,769	112,440
Lump Sum and Other Purposes	18,773,957	-
Awards and Grants	1,271,949,468	1,319,182,224
Total Expenditures	<u>1,314,035,013</u>	<u>1,360,512,827</u>
Lapsed Balances	<u>371,763,587</u>	<u>338,737,673</u>
<i>CHARTER SCHOOLS REVOLVING LOAN FUND - 567</i>		
Appropriations (Net of Transfers)	<u>20,000</u>	<u>20,000</u>
Expenditures		
Awards and Grants	<u>-</u>	<u>-</u>
Lapsed Balances	<u>20,000</u>	<u>20,000</u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	<u>2007</u>	<u>2006</u>
<i>SCHOOL INFRASTRUCTURE FUND - 568</i>		
Appropriations (Net of Transfers)	\$ 105,000	\$ 93,400
Expenditures		
Personal Services	81,265	38,115
Employee Retirement Contribution		
Paid by the State	3,251	1,525
State Employees'/Teachers' Retirement	490	230
Social Security	1,148	538
Group Insurance	16,020	7,961
Total Expenditures	<u>102,174</u>	<u>48,369</u>
Lapsed Balances	<u>2,826</u>	<u>45,031</u>
<i>SCHOOL TECHNOLOGY REVOLVING LOAN PROGRAM</i>		
<i>FUND - 569</i>		
Appropriations (Net of Transfers)	<u>5,000,000</u>	<u>5,000,000</u>
Expenditures		
Awards and Grants	<u>2,955,563</u>	<u>3,827,454</u>
Total Expenditures	<u>2,955,563</u>	<u>3,827,454</u>
Lapsed Balances	<u>2,044,437</u>	<u>1,172,546</u>
<i>TEMPORARY RELOCATION EXPENSES REVOLVING</i>		
<i>GRANT FUND - 605</i>		
Appropriations (Net of Transfers)	<u>1,400,000</u>	<u>800,000</u>
Expenditures		
Awards and Grants	<u>1,209,563</u>	<u>474,403</u>
Lapsed Balances	<u>190,437</u>	<u>325,597</u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	<u>2007</u>	<u>2006</u>
TOTAL - ALL APPROPRIATED FUNDS		
Appropriations	<u>8,752,214,322</u>	<u>8,316,109,735</u>
Expenditures	<u>8,293,744,710</u>	<u>7,897,835,456</u>
Reappropriated to next fiscal year	<u>27,672,646</u>	<u>28,215,622</u>
Lapsed Balances	<u>430,796,966</u>	<u>390,058,657</u>
Non-appropriated Funds		
 <i>SBE FEDERAL DEPARTMENT OF AGRICULTURE FUND - 410</i>		
Expenditures		
Refunds	<u>\$ 467,101</u>	<u>\$ 15,444</u>
 <i>SBE FEDERAL AGENCY SERVICE FUND - 560</i>		
Expenditures		
Refunds	<u>86</u>	<u>43,668</u>
 <i>SBE FEDERAL DEPARTMENT OF EDUCATION FUND - 561</i>		
Expenditures		
Refunds	<u>748,820</u>	<u>2,672,232</u>
Total Nonappropriated Funds	<u>1,216,007</u>	<u>2,731,344</u>
Total Expenditures - All Funds	<u><u>\$ 8,294,960,717</u></u>	<u><u>\$ 7,900,566,800</u></u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF OPERATING EXPENDITURES BY EXPENDITURE TYPE

FOR THE YEARS ENDED JUNE 30,

<u>Description</u>	<u>2007</u>	<u>2006</u>	<u>Variance Increase/ (Decrease)</u>
Personal Services	\$ 29,217,282	\$ 29,770,873	-1.86%
Employee Retirement Contribution Paid by the State	1,012,575	1,072,595	-5.60%
State Employees'/Teachers' Retirement	2,326,744	1,616,130	43.97%
Social Security	856,094	860,091	-0.46%
Group Insurance	3,049,940	3,265,489	-6.60%
Contractual Services	13,618,359	39,020,295	-65.10%
Travel	1,243,133	1,296,585	-4.12%
Commodities	233,936	228,795	2.25%
Printing	147,165	179,919	-18.20%
Equipment	468,263	215,713	117.08%
Telecommunications	498,489	560,306	-11.03%
Operation of Automotive Equipment	22,412	19,294	16.16%
Lump Sum and Other Purposes	48,921,026	17,441,405	180.49%
Awards and Grants	8,191,129,292	7,801,837,966	4.99%
Interfund Cash Transfers	1,000,000	450,000	122.22%
Refunds	1,216,007	2,731,344	-55.48%
 Total Expenditures	 <u>8,294,960,717</u>	 <u>7,900,566,800</u>	 <u>4.99%</u>
 State Distributive Expenditures	 (6,452,342,114)	 (6,050,546,209)	 6.64%
Federal Distributive Expenditures	<u>(1,743,933,096)</u>	<u>(1,767,143,498)</u>	<u>-1.31%</u>
Total Distributive Expenditures	<u>(8,196,275,210)</u>	<u>(7,817,689,707)</u>	<u>5.33%</u>
 Total Operating Expenditures*	 <u>\$ 98,685,507</u>	 <u>\$ 82,877,093</u>	 <u>19.07%</u>

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

SCHEDULE OF CHANGES IN STATE PROPERTY

FOR THE YEARS ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
Property and Equipment, Beginning of Fiscal Year	\$ 14,337,051	\$ 15,327,113
Additions:		
Purchases and other additions	518,992	351,485
Deletions:		
Transfers-out	302,176	1,088,739
Trade-ins, adjustments and other deletions	551,654	252,808
Property and Equipment, June 30	<u>\$ 14,002,213</u>	<u>\$ 14,337,051</u>
Property and Equipment by location		
Springfield - Alzina Building, Concourse	\$ 1,412,125	\$ 1,904,148
Springfield - Alzina Building, First Floor	105,635	120,349
Springfield - Alzina Building, Second Floor	2,856,172	2,708,292
Springfield - Alzina Building, Third Floor	6,119,556	6,549,624
Springfield - Alzina Building, Fourth Floor	963,422	717,250
Lombard - Philip J. Rock Center	1,499,003	1,499,003
Chicago - James R. Thompson Center	1,046,300	838,385
Property and Equipment, accrual basis - June 30	<u>\$ 14,002,213</u>	<u>\$ 14,337,051</u>

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF CASH RECEIPTS

FOR THE YEARS ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<i>GENERAL REVENUE - 001</i>		
Federal government indirect cost recoveries		
U.S. Department of Agriculture	\$ 48,616	\$ 250,841
U.S. Department of Education	132,609	781,262
U.S. Department of Health and Human Services	872	4,063
Private Business Schools	156,000	169,225
Miscellaneous	9,436	8,106
Prior Year Refunds/Adjustments	1,339,536	2,734,786
Total General Revenue Fund	<u>1,687,069</u>	<u>3,948,283</u>
<i>EDUCATION ASSISTANCE FUND - 007</i>		
Prior Year Refunds/Adjustments	<u>1,840,389</u>	<u>-</u>
<i>TEACHER CERTIFICATE FEE REVOLVING FUND - 016</i>		
Teacher certification filing fees	1,557,325	1,632,734
Prior Year Refunds/Adjustments	-	830
Total Teacher Certificate Fee Revolving Fund	<u>1,557,325</u>	<u>1,633,564</u>
<i>DRIVERS EDUCATION FUND - 031</i>		
Prior Year Refunds/Adjustments	<u>-</u>	<u>52</u>
<i>SCHOOL DISTRICT EMERGENCY FINANCIAL ASSISTANCE FUND - 130</i>		
Loan Repayments - interest	26,659	31,446
Loan Repayments - principal	672,231	701,856
Total School District Emergency Financial Assistance Fund	<u>698,890</u>	<u>733,302</u>
<i>SBE SPECIAL PURPOSE TRUST FUND - 144</i>		
Illinois Department of Human Services	-	16,000,000
Capital Development Board for Technology Immersion	5,000,000	-
Miscellaneous	2,039	-
Prior Year Refunds/Adjustments	347,623	-
Total SBE Special Purpose Trust Fund	<u>5,349,662</u>	<u>16,000,000</u>
<i>SBE TEACHER CERTIFICATION INSTITUTE FUND - 159</i>		
Teacher certification filing fees	483,875	242,593
Prior Year Refunds/Adjustments	-	319,800
Total S.B.E. Teacher Certification Institute Fund	<u>483,875</u>	<u>562,393</u>
<i>SBE FEDERAL DEPARTMENT OF AGRICULTURE FUND - 410</i>		
U.S. Department of Agriculture grants	478,462,099	457,910,931
Other program revenue	23,916	93,945
Miscellaneous	33,473	-
Prior Year Refunds/Adjustments	300,296	237,993
Total S.B.E. Federal Department of Agriculture Fund	<u>478,819,784</u>	<u>458,242,869</u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF CASH RECEIPTS

FOR THE YEARS ENDED JUNE 30,

	2007	2006
<i>COMMON SCHOOL FUND - 412</i>		
Prior Year Refunds/Adjustments	397,470	3,324
<i>SBE FEDERAL AGENCY SERVICES FUND - 560</i>		
U.S. Department of Labor grants	85	-
Corporation for National and Community Service grants	617,296	1,112,484
U.S. DHHS Refugee Services grants	-	76,758
U.S. DHHS Training Services grants	255,144	152,175
Prior Year Refunds/Adjustments	76,835	66,456
Total SBE Federal Agency Services Fund	949,360	1,407,873
<i>SBE FEDERAL DEPARTMENT OF EDUCATION FUND - 561</i>		
U.S. Department of Education grants	1,336,495,860	1,257,442,821
Miscellaneous	-	2,407
Prior Year Refunds/Adjustments	3,075,496	6,608,667
Total S.B.E. Federal Department of Education Fund	1,339,571,356	1,264,053,895
<i>CHARTER SCHOOLS REVOLVING LOAN FUND - 567</i>		
Loan Repayments - principal	\$ 19,283	\$ 22,095
<i>SCHOOL INFRASTRUCTURE FUND - 568</i>		
Prior Year Refunds/Adjustments	-	49,936
<i>SCHOOL TECHNOLOGY REVOLVING LOAN PROGRAM FUND - 569</i>		
Loan Repayments - interest	81,651	105,583
Loan Repayments - principal	3,203,130	4,753,284
Interest	-	4,022
Prior Year Refunds/Adjustments	-	33,563
Total School Technology Revolving Loan Program Fund	3,284,781	4,896,452
<i>TEMPORARY RELOCATION EXPENSES REVOLVING GRANT FUND - 605</i>		
General Revenue Fund transfers-in	1,023,119	450,000
Loan repayments - principal	545,663	201,065
Total Temporary Relocation Expenses Revolving Grant Fund	1,568,782	651,065
Total Cash Receipts	\$ 1,836,228,026	\$ 1,752,205,103

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

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

FOR THE YEAR ENDED JUNE 30, 2007

	General Revenue Fund - 001	Education Assistance Fund - 007	Teacher Certificate Fee Revolving Fund - 016	Drivers Education Fund - 031	School District Emergency Financial Asst Fund - 130
Cash Receipts per Agency	\$ 343,663	\$ -	\$ 1,495,687	\$ -	\$ 698,890
Adjustments:	-	-	-	-	-
Cash on Hand at June 30, 2006	3,870	-	61,638	-	-
Cash on Hand at June 30, 2007	(665)	-	(54,168)	-	-
Receipts in transit at June 30, 2006	-	-	19,032	-	-
Receipts in transit at June 30, 2007	-	-	-	-	-
Prior Year Refunds/Adjustments	1,339,536	1,840,389	-	-	-
Refunds in transit at June 30, 2006	-	-	-	-	-
Refunds in transit at June 30, 2007	-	(1,155)	-	-	-
Totals	1,686,404	1,839,234	1,522,189	-	698,890
Receipts per Comptroller (SB04)	1,686,404	1,839,234	1,522,189	-	698,890
Agency/Comptroller variance	\$ -	\$ -	\$ -	\$ -	\$ -

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

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

FOR THE YEAR ENDED JUNE 30, 2007

	SBE Special Purpose Trust Fund - 144	SBE Teacher Certification Institute Fund - 159	SBE Federal Department of Agriculture Fund - 410	Common School Fund - 412	SBE Federal Agency Services Fund - 560
Cash Receipts per Agency	\$ 5,002,039	\$ 473,756	\$ 478,519,487	\$ -	\$ 872,525
Adjustments:	-	-	-	-	-
Cash on Hand at June 30, 2006	-	10,119	-	-	-
Cash on Hand at June 30, 2007	-	(55,149)	-	-	-
Receipts in transit at June 30, 2006	-	4,302	-	-	-
Receipts in transit at June 30, 2007	-	-	-	-	-
Prior Year Refunds/Adjustments	347,623	-	300,296	397,470	76,835
Refunds in transit at June 30, 2006	-	-	-	-	-
Refunds in transit at June 30, 2007	-	-	(6,827)	-	-
Totals	5,349,662	433,028	478,812,956	397,470	949,360
Receipts per Comptroller (SB04)	5,349,662	433,028	478,812,956	397,156	949,360
Agency/Comptroller variance	\$ -	\$ -	\$ -	\$ 314	\$ -

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

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

FOR THE YEAR ENDED JUNE 30, 2007

	SBE Federal Department of Education Fund - 561	Charter Schools Revolving Loan Fund - 567	School Tech. Revolving Loan Program Fund - 569	Temporary Relocation Expenses Revolving Grant Fund - 605	Total
Cash Receipts per Agency	\$ 1,336,495,860	\$ 19,283	\$ 3,026,199	\$ 1,568,782	\$ 1,828,516,171
Adjustments:					
Cash on Hand at June 30, 2006	-	-	258,581	-	334,208
Cash on Hand at June 30, 2007	-	-	(146,093)	-	(256,075)
Receipts in transit at June 30, 2006	-	-	-	-	23,334
Receipts in transit at June 30, 2007	-	-	-	-	-
Prior Year Refunds Adjustments	3,075,496	-	-	-	7,377,645
Refunds in transit at June 30, 2006	-	-	-	-	-
Refunds in transit at June 30, 2007	(59,308)	-	-	-	(67,290)
Totals	1,339,512,048	19,283	3,138,687	1,568,782	1,835,927,993
Receipts per Comptroller (SB04)	1,339,512,048	19,283	3,138,687	1,568,782	1,835,927,679
Agency/Comptroller variance	\$ -	\$ -	\$ -	\$ -	\$ 314

a Agency/Comptroller variance due to a Refund posted as Current Year refund by the Comptroller.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF DISTRIBUTIVE EXPENDITURES BY FUND

FOR THE YEARS ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
General Revenue Fund		
Aerospace Education Initiative	\$ 920,000	\$ 920,000
After School Programs	21,407,852	12,207,917
Agricultural Education	-	217,100
Alternative Education/Regional Safe Schools	18,535,492	18,035,498
Autism Training & Technical Asst	100,000	-
Bilingual Reimbursement-Over 500,000	36,896,600	35,896,565
Bilingual Reimbursement-Less Than 500,000	29,655,397	28,655,399
Childrens Mental Health Partnership	2,904,146	-
Class Size Reduction Pilot Project	7,979,509	-
District Consolidation	7,351,207	7,058,936
Free Lunch and Breakfast Program	20,999,994	20,999,958
Grants to Local Governments, Not For Profits	1,358,043	2,090,077
Grants for School Transportation	1,200,000	802,823
Healthy Kids/Healthy Minds/Expanded Vision	3,000,000	3,000,000
Illinois Breakfast Incentive	722,230	723,039
Illinois Economic Education Program	250,000	250,000
Illinois Governmental Student Internship	129,900	129,900
Jobs for Illinois Graduates Program	4,000,000	4,000,000
Materials for the Visually Impaired	2,121,000	1,121,000
Metro East Consortium/Student Advocacy	217,100	1,881,200
Minority Transition	577,592	578,460
Orphanage & Tuition Claims	12,467,627	12,819,504
Parental Participation Pilot Project	100,000	-
Parent/Guardian Transportation	14,454,326	14,453,847
Philip J. Rock Center	3,220,500	3,055,500
Principal Mentoring Program Grants	800,000	-
Recording for Blind and Dyslexic	518,000	168,800
Regional Superintendent Initiatives	500,000	-
Regional Superintendents Services	6,465,530	5,270,000
South Cook Intermediate Service Center	300,000	300,000
Special Education Personnel Reimbursement	364,493,059	358,913,167
Special Education - Extraordinary	268,892,600	256,836,199
Special Education - Orphans & Foster Children	79,400,000	87,412,674
Special Education Private Facility Tuition	109,079,998	89,081,753
Standards, Assessment and Accountability - Learning Standard	3,124,229	3,342,700

STATE OF ILLINOIS
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COMPARATIVE SCHEDULE OF DISTRIBUTIVE EXPENDITURES BY FUND

FOR THE YEARS ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
General Revenue Fund (Continued)		
State Charter Schools	\$ 3,421,500	\$ 3,421,500
Summer School payments	8,694,000	8,114,400
Tax Equivalent Grants	222,600	222,600
Teach America	950,000	450,000
Teacher Mentoring Pilot Project	1,952,718	-
Textbook Program - Reappropriation	28,169,527	15,832,069
Textbook Program - Section 18-17	6,517,177	910,878
Transitional Assistance	11,799,999	11,799,999
Transporting Common School Pupils Reimbursement	286,007,846	261,630,000
Transporting Handicapped Students Reimbursement	326,527,015	310,328,386
Trauma Intervention	-	250,000
Truant Alternative	18,073,944	17,574,127
Voc Ed Agriculture Education	2,880,023	-
	<u>1,719,358,280</u>	<u>1,600,755,975</u>
Education Assistance Fund		
Career & Technical Education	38,518,899	36,047,463
Early Childhood Block Grant	317,624,942	242,172,888
General State Aid	833,560,000	665,560,000
General State Aid Supplemental	19,594,592	21,587,929
Reading Improvement Block	75,962,111	75,908,849
School Safety & Educational Improvement Block Grant	74,840,999	64,840,999
Summer Bridges	22,053,434	21,741,629
Teacher Education	8,130,609	4,739,992
Teacher of the Year - Teaching Excellence	135,000	-
Technology for Success Reimbursement	6,169,700	4,885,620
	<u>1,396,590,286</u>	<u>1,137,485,369</u>

STATE OF ILLINOIS
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COMPARATIVE SCHEDULE OF DISTRIBUTIVE EXPENDITURES BY FUND

FOR THE YEARS ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
Common School Fund		
Advance Placement Classes	\$ 1,455,121	\$ 1,500,000
Agriculture Education	-	500,000
Arts Education	3,129,340	1,136,664
Bilingual Education - Over 500,000	-	1,000,000
Bilingual Education - Less Than 500,000	-	1,000,000
Career and Technical Education	-	2,000,000
Compensation for Regional Superintendents & Assistants	8,051,482	7,802,828
Early Childhood Block Grant	-	30,000,000
General State Aid	3,293,546,360	3,230,124,160
Grow Your Own Teachers	2,970,702	1,339,606
	<u>3,309,153,005</u>	<u>3,276,403,258</u>
Other Funds		
Drivers Education Fund	17,929,499	15,748,009
Federal Trust Funds	1,743,933,096	1,767,143,498
School Technology Revolving Loan Fund	2,955,563	3,827,454
SBE Special Purpose Trust Fund	5,145,918	15,851,741
Temporary Relocation Expenses Revolving Grant Fund	1,209,563	474,403
	<u>1,771,173,639</u>	<u>1,803,045,105</u>
TOTAL DISTRIBUTIVE EXPENDITURES	<u><u>\$ 8,196,275,210</u></u>	<u><u>\$ 7,817,689,707</u></u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2007

The expenditures for the Agency's operating divisions are financed by appropriations from various funds. The Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances compares expenditures by appropriated line item, fund and program for the fiscal years ended June 30, 2007 and 2006. The Agency's explanations for significant fluctuations in expenditures are detailed below.

General Revenue Fund - 001

State Employees/Teachers' Retirement - The increase was due to a retirement contribution rate (SERS) increase from 7.792% in fiscal year 2006 to 11.525% in fiscal year 2007.

Contractual Services - The decrease is due to the creation of a separate line item under lump sum for State Student Assessments in fiscal year 2007. In fiscal year 2006, Student Assessment contracts were paid from regular contractual services lines.

Commodities - Overall, agency commodities increased only slightly. The increase in GRF expenditures was generally due to the allocation of commodity expenditures. In fiscal year 2007, Department of Education increased its indirect cost rate for expenditures.

Equipment - The increase is generally due to the purchase of an agency car, supplementary air conditioning for the computer room, security cameras for the Springfield office and agency computers distributed throughout the agency.

Telecommunications - This decrease is generally due to these applicable and allowable costs being paid from federal programs funds as a result of an appropriation from federal indirect costs recoveries to federal programs.

Lump Sums and Other Purposes - The increase is due to the creation of a separate line item under lump sum for State Assessments in fiscal year 2007. In fiscal year 2006, Student Assessment contracts were paid from regular contractual services lines.

Education Assistance Fund - 007

Awards and Grants - The increase was generally due to appropriation increases in General State Aid, Early Childhood Block Grant, School Safety and Education Improvement Block Grant, and Teacher Education and National Board Certification program.

Teacher Certification Fee Revolving Fund - 016

Employee Retirement Contribution Paid by the State - The decrease was generally due to a decrease in personal services and a change to the AFSCME contract. In January 2006 (half-way through fiscal year 2006) AFSCME employees began paying 4% contribution to the employee pension fund, at the same time, the agency seized its contribution to the fund.

State Employees/Teachers' Retirement - The decrease was due to a miscoding of this fund as it relates to retirement contribution. At the close of fiscal year 2006, it was discovered that the retirement contribution for this fund was coded as "federal" instead of "state" (Teachers' Retirement System's contribution rate for federal payrolls is greater than the rate for state). The correction was made at the start of fiscal year 2007.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

Teacher Certification Fee Revolving Fund – 016 - Cont'd

Social Security – The decrease was generally due to a decrease in personal services costs and consequently a decrease in social security.

SBE Special Purpose Trust Fund - 144

Lump Sum and Other Purposes – The decrease was generally due to fewer dollars being received to spend from this fund. In fiscal year 2006, \$16 million was received from the Department of Human Services via a memorandum of understanding. These funds were disbursed for various projects around the State. In fiscal year 2007, these funds were not available to the agency, however ISBE did receive \$5 million from the Capital Development Board for Technology Immersion.

SBE Federal Department of Agriculture Fund - 410

State Employees' Teachers' Retirement – The increase was due to a retirement contribution rate increase in fiscal year 2007. In fiscal year 2006, the federal retirement contribution rate for staff participating in the Teachers' Retirement System (TRS) was 7.6% and the rate for staff participating in SERS was 7.792%; in fiscal year 2007, the rates were increased to 10.36% and 11.525%, respectively. -

Commodities - Overall, agency commodities increased only slightly. The increase in the Department of Agriculture expenditures was generally due to increase in federal indirect cost recovery allocated directly to the fund instead of GRF in fiscal year 2007.

Printing – The decrease was generally due to the printing of the “What’s In A Meal?” booklets for Child and Adult Care Food Program Sponsors. In fiscal year 2006, 12,400 copies were printed; in fiscal year 2007, 1,500 were printed.

Equipment – The increase was generally due to the purchase of 2 cubicles for the Child Nutrition division in fiscal year 2007.

SBE Federal Agency Service Fund - 560

Personal Services – The increase was generally due to an increase in Full Time Employees (FTEs) in fiscal year 2007.

Employee retirement Contribution Paid by the State – The increase was due to the increase in personal services costs in fiscal year 2007 and consequently an increase in employee retirement contributions paid by the state.

State Employees' Teachers' Retirement – The increase was due to an increase in personal services costs and a retirement contribution rate increase in fiscal year 2007.

Social Security – The decrease was generally due to a replacement employee who was added to this payroll in the last two months of fiscal year 2007, not contributing to social security. All FTEs in fiscal year 2006 contributed to social security.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

SBE Federal Agency Service Fund – 560 – Cont'd

Group Insurance – The increase was due to the increase in personal services costs in fiscal year 2007 and consequently an increase in group insurance.

Contractual Services – The increase was generally due to a change in funding for technical assistance and professional development services for the Learn and Serve program. In fiscal year 2006, these services were paid via grant; in fiscal year 2007, the services were paid through a contract.

Commodities – The increase was due to the purchase of pamphlets for AIDS education in fiscal year 2007.

Printing – The decrease was due to the printing of materials for the Refugee program in fiscal year 2006. The agency no longer receives funding for this program.

Equipment – The decrease was due to the purchase of a computer for the AIDS Education program in fiscal year 2006.

Telecommunications – The increase was due to an increase in these applicable and allowable costs being paid from federal programs funds as a result of an appropriation from federal indirect costs recoveries to federal programs.

Awards and Grants – The decrease was generally due to a change in funding for technical assistance and professional development services for the Learn and Serve program. In fiscal year 2006, these services were paid via grant; in fiscal year 2007, the services were paid through a contract. In addition, the Learn and Serve grant award was reduced in fiscal year 2007.

SBE Federal Department of Education Fund - 561

State Employees/Teachers' Retirement – The increase was due to a retirement contribution rate increase in fiscal year 2007. In fiscal year 2006, the federal retirement rate for staff participating in the Teachers' Retirement System (TRS) was 7.6% and the rate for participating in SERS was 7.79%; in fiscal year 2007, the rates were increased to 10.36% and 11.525%, respectively.

Contractual Services – The decrease was generally due to the creation of a lump sum line item for Federal Student Assessments in fiscal year 2007. In fiscal year 2006, Student Assessment contracts were paid from regular contractual services lines.

Commodities – Overall, agency commodities increased only slightly. The decrease in the Department of Education expenditures was generally due to allocating more GRF funds and Department of Agriculture indirect funds for commodities in fiscal year 2007.

Printing – The decrease was generally due to the allocation of funds used for printing. In fiscal year 2006 approximately \$19,000 of Department of Education (DOE) indirect funds was used for paper purchases; in fiscal year 2007 there were no DOE indirect funds used for paper purchases.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

SBE Federal Department of Education Fund – 561 – Cont'd

Equipment – The increase was generally due to the use federal indirect funds for the purchase of disk storage space for the Chicago office disaster recovery site, UPS transformers and switches for computer services and security cameras and a copy machine for the Springfield office in fiscal year 2007. In addition, Talk & Listen kits were purchased to make possible simultaneous interpretations for the Bilingual Education program.

Telecommunications – The increase was generally due to an increase in these applicable and allowable costs being paid from federal programs funds as a result of an appropriation from federal indirect costs recoveries to federal programs.

Lump Sum – The increase was due to the creation of the creation of a lump sum line item for Federal Student Assessments in fiscal year 2007. In fiscal year 2006, Student Assessment contracts were paid from regular contractual services lines.

School Infrastructure Fund - 568

Personal Services – The increase was due to an increase in full-time employees (FTE). In fiscal year 2006, 0.5 FTE was paid from this fund; in fiscal year 2007, 1.0 FTE was paid from this fund.

Employee Retirement contribution Paid by the State – The increase was due to the increase in personal services costs in fiscal year 2007 and consequently an increase in employee retirement contributions paid by the State.

State Employees'/Teachers' Retirement – The increase was due to the increase in personal services costs and a retirement rate increase in fiscal year 2007.

Social Security – The increase was due to the increase in personal services costs in fiscal year 2007 and consequently an increase in social security.

Group Insurance – The increase was due to the increase in personal services costs in fiscal year 2007 and consequently an increase in group insurance.

School Technology Revolving Loan Program Fund - 569

Awards and Grants – The decrease was generally due to less funds being available for loans in fiscal year 2007. In fiscal year 2006, more funds were available because no loans were funded in fiscal year 2005, allowing funds to accumulate to the amount funded in fiscal year 2006.

Temporary Relocation Expenses Revolving Grant Fund - 605

Awards and Grants – The increase was due to an increase in the program funds requested by eligible districts for temporary relocation in fiscal year 2007. Two districts received both loans and grants in fiscal year 2007.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

Non-appropriated expenditures:

SBE Federal Department of Agriculture Fund - 410

Refunds – The increase was due to funds recovered from program participants/sponsors as a result of program reviews and audits. Refunds to USDA may vary from year to year based on when review/audit reports are completed and submitted, the amounts of such overpayments, and when funds are recovered from sponsors.

SBE Federal Agency Services Fund - 560

Refunds – The decrease in fiscal year 2007 was due to a decrease in unspent grant funds returned from school districts.

SBE Federal Department of Education Fund - 561

Refunds – The decrease in fiscal year 2007 was due to a decrease in unspent grant funds returned from school districts.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

FOR THE YEAR ENDED JUNE 30, 2007

To analyze cash receipts, the Comparative Schedule of Cash Receipts was utilized to identify significant fluctuations in Agency cash receipts by fund and by source for the fiscal years ended June 30, 2007 and 2006. The following are explanations obtained from Agency officials for the identified fluctuations:

General Revenue Fund – 001

US Department of Agriculture - The decrease in fiscal year 2007 was due to the indirect cost draws being deposited into the federal fund 410 starting in September 2006.

US Department of Education - The decrease in fiscal year 2007 was due to the indirect cost draws being deposited into the federal fund 561 starting in September 2006.

Prior Year Refunds/Adjustments - The decrease in fiscal year 2007 was due to returned funds in fiscal year 2006 that did not occur in fiscal year 2007.

Education Assistance Fund – 007

Prior Year Refunds/Adjustments - The increase in fiscal year 2007 was due to returned funds from subrecipients that did not occur in fiscal year 2006.

SBE Special Purpose Trust Fund – 144

Illinois Department of Human Services

Capital Development Board of Technology Immersion - The decrease was generally due to fewer dollars being received to spend from this fund. In fiscal year 2006, \$16 million was received from the Department of Human Services via a memorandum of understanding. These funds were disbursed for various projects around the state. In fiscal year 2007, these funds were not available to the agency, however ISBE did receive \$5 million from the Capital Development Board for Technology Immersion.

Prior Year Refunds/Adjustments - The increase in fiscal year 2007 was due to returned funds from subrecipients that did not occur in fiscal year 2006.

SBE Teacher Certification Institute Fund - 159

Teacher certification filing fees - The increase in fiscal year 2007 was due to the number of certificates for renewal in fiscal year 2007 being greater than the number due in fiscal year 2006.

Prior Year Refunds/Adjustments - The decrease in fiscal year 2007 was due to returned funds from subrecipients in fiscal year 2006 that did not occur in fiscal year 2007.

SBE Federal Department of Agriculture Fund – 410

Other Program Revenue - The decrease in fiscal year 2007 for the Other Period Revenue was due to a payment received from a settled lawsuit in fiscal year 2006 not received in fiscal year 2007.

Common School Fund – 412

Prior Year Refunds/Adjustments - The increase in fiscal year 2007 was due to returned funds from subrecipients that did not occur in fiscal year 2006.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

SBE Federal Agency Services Fund – 560

Corporation for National and Community Service Grants - The decrease in fiscal year 2007 was due to a decrease in funds expended from the grant. This is a federal reimbursement grant and the decrease shows that there were fewer reimbursements made from this grant.

US DHHS Refugee Service Grants - The decrease in fiscal year 2007 was due to the Department of Health and Human Services not funding the program.

US DHHS Training Services Grants - The increase in fiscal year 2007 was due to more Learn and Serve grant funds being received.

SBE Federal Department of Education Fund – 561

Prior Year Refunds/Adjustments – The decrease in fiscal year 2007 was due to returned funds from the Reading First program in fiscal year 2006 that did not occur in fiscal year 2007.

School Technology Revolving Loan Program Fund – 569

Interest - The decrease was the result of no interest collection in fiscal year 2007. The interest is generated from late fees and in fiscal year 2007 there were no late fees.

Prior Year Refunds/Adjustments – The decrease in fiscal year 2007 was due to returned funds from subrecipients in fiscal year 2006 that did not occur in fiscal year 2007.

Temporary Relocation Expenses Revolving Grant Fund – 605

General Revenue Fund transfers-in – The increase in fiscal year 2007 was due to an increase in the appropriation, which was \$1,000,000 in fiscal year 2007 compared to \$450,000 in fiscal year 2006.

Loan repayments - principal – The increase in fiscal year 2007 was due to large repayments from school districts in fiscal year 2007.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

FOR THE YEAR ENDED JUNE 30, 2007

Lapse period expenditures result from vouchers received late in the fiscal year for goods received or services provided prior to June 30. To analyze significant lapse period spending, the Schedule of Appropriations, Expenditures and Lapsed Balances was used to compare lapse period expenditures to total expenditures in fiscal year 2007. The following explanations were obtained from Agency officials.

General Revenue Fund – 001

Commodities - The significant lapse period expenditures were for the payment of office supplies ordered and received prior to June 30.

Printing - The significant lapse period expenditures were for the payment of replenished paper supply and letterhead stationary ordered prior to June 30.

Equipment - The significant lapse period expenditures were for the purchase of a new vehicle and office furniture deemed obsolete prior to June 30.

Telecommunications - The significant lapse period expenditures were for the payment of telecommunication charges incurred prior to June 30, but billed by the Department of Central Management Services during lapse period.

Operation of Automotive - The significant lapse period expenditures were for the payment of normal gas charges and new tires for fleet vehicles purchased prior to June 30.

Lump sum and other purposes - The significant lapse period expenditures were for the payment of multi-year contracts and short-term contracts for which the work was performed prior to June 30, but billed to the agency during lapse period.

SBE Federal Department of Agriculture Fund – 410

Telecommunications - The significant lapse period expenditures were for the payment of telecommunication charges incurred prior to June 30, but billed by the Department of Central Management Services during lapse period.

SBE Federal Agency Services Fund – 560

Contractual Services - The significant lapse period expenditures was for payment of HIV prevention education services and the 2007 Illinois Youth Risk Survey which was provided prior to June 30.

Telecommunications - The significant lapse period expenditures were for the payment of telecommunication charges incurred prior to June 30, but billed by the Department of Central Management Services during lapse period.

Awards and Grants - The significant lapse period expenditures were for the payment of Learn and Serve America program services as well as Parent Guardian program reimbursements of costs incurred prior to June 30.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT LAPSED PERIOD SPENDING

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

SBE Department of Education Fund – 561

Contractual Services - The significant lapse period expenditures were for the payment of professional fees incurred prior to June 30 for the American College Testing program.

Commodities - The significant lapse period expenditures were for the payment of printing supplies and books for the Math and Science program as well as the Summer Camp for the Homeless program procured prior to June 30, but billed during lapse period.

Telecommunications - The significant lapse period expenditures were for the payment of telecommunication charges incurred prior to June 30, but billed by the Department of Central Management Services during lapse period.

Lump sum and other purposes - The significant lapse period expenditures were for the payment of American College Testing program for which the work was performed prior to June 30, but billed to the agency during lapse period.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

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

Major Fund/General Fund

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

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

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

Nonmajor Funds/Special Revenue Funds

Cash and cash equivalents – This balance represents cash balances in the Agency's special revenue funds.

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

Due to other governments - local – This balance represents grant payments due to local education agencies at June 30, primarily from the SBE Federal Department of Agriculture Fund and the SBE Federal Department of Education Fund and the Drivers Education Fund.

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

Fund Balance, Unreserved: Undesignated – This deficit is primarily represented by liabilities of the Agency at June 30.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANALYSIS OF ACCOUNTS RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2007

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

The following is a schedule of receivable balances (expressed in thousands) at June 30, 2007.

	<u>2007</u>	<u>2006</u>
Due from other government – federal	\$ 270,333	\$ 296,079
Due from other governments – local	18	18
Other receivables	74	28
Due from other State funds	2,449	274
Due from component units	280	79
Total receivables	\$ <u>273,154</u>	\$ <u>296,478</u>

Receivable amounts are recorded at year-end through the annual process of adjusting the financial statements to generally accepted accounting principles (GAAP) for reporting purposes.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

SCHEDULE OF INDIRECT COST REIMBURSEMENTS

FOR THE YEARS ENDED JUNE 30,

(Unaudited)

Indirect cost reimbursements are primarily Letter of Credit draw downs of federal funds which are deposited directly into the General Revenue Fund, and the SBE Federal Agency Services, Department of Agriculture and Department of Education Funds in the State treasury. Indirect costs are based on a fixed rate which is negotiated annually with the cognizant federal agency, the U.S. Department of Education. Following are reimbursements deposited during fiscal years 2007 and 2006.

<u>Federal Programs/Grants</u>	<u>2007</u>	<u>2006</u>
Child Nutrition Grants	\$ 1,106,292	\$ 739,039
Education for the Homeless Children and Youth	10,050	16,919
Even Start - State Educational Agencies	43,897	47,825
Math Science Partnership	47,933	39,637
Migrant Education - Basic State Grant Programs	3,083	2,882
Safe and Drug Free Schools and Communities - State Grants	53,326	83,695
Special Education - Grants to States	1,239,241	971,195
Special Education - Preschool Grants	112,621	136,640
Title I Grants to Local Education Agencies	767,854	543,946
Vocational Education - Basic Grants to States	139,324	65,043
Technology Literacy Challenge Program	82,644	65,303
Charter Schools	-	1,207
Title V - Innovative Education Program Strategies	25,225	19,785
Reading First State Grants	87,841	62,484
Rural Education	5,079	4,343
Title II - Teaching	249,714	185,430
Title III - English Language	83,193	90,156
Title IV - 21st Century	102,517	58,623
Advanced Placement Fee Payment Program	25,048	28,653
Transition To Teaching	4,483	1,288
Special Education - State Personnel Development	9,786	13,254
Special Ed - Tech Asst /Children w/ Disabilities	-	52,737
Title I Program for Neglected & Delinquent Children	2,380	4,782
Comprehensive School Reform Demonstration	45,648	3,440
Tech Prep Program	30,183	23,042
Grants to Improve the Mental Health of Children	5,235	-
Refugee Children Impact	-	162
Training School Health Personnel	42,206	23,068
Learn and Serve America	72	-
Total Indirect Cost Reimbursements	<u>\$ 4,324,875</u>	<u>\$ 3,284,578</u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

AGENCY FUNCTIONS AND PLANNING PROGRAM

FOR THE YEAR ENDED JUNE 30, 2007

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

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

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

The Board appoints the State Superintendent of Education. The current State Superintendent of Education, Dr. Christopher Koch, was appointed permanently to the position on May 1, 2007 after being the interim superintendent from December 1, 2006. The former Superintendent of Education, Dr. Randy J. Dunn, served from September 20, 2004 through November 30, 2006.

The Board mailing address is: Illinois State Board Education
100 North First Street
Springfield, Illinois 62777-0001

Planning Program

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

Vision for Illinois Education

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

The actions of the Board are guided by its mission statement and three goals with fifteen strategic objectives.

State Board of Education Mission

The Illinois State Board of Education will provide leadership, advocacy and support for the work of school districts, policymakers, and citizens in making Illinois education second to none.

The goals and objectives are intended to assist the Agency in reaching the ultimate learning outcome for every student in Illinois. The Board ensures that the goals and objectives are met through monitoring the performance strategies. The Board provides assistance to school districts in meeting the goals and related objectives listed below:

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

AGENCY FUNCTIONS AND PLANNING PROGRAM

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

A. Enhancing Literacy

The Illinois State Board of Education fosters increased literacy by providing support for effective instruction and broad approaches to impact all students through the following strategies:

1. Establish literacy as the top education priority and assist schools in delivering high quality reading skills and literacy instruction beginning in early childhood and continuing through the high school grades.
2. Partner with other agencies to educate parents on how to be their child's first teachers to stimulate development in reading and writing.
3. Assist school's efforts to create and sustain early childhood and kindergarten program options (including full-day programs for at-risk students) that focus on early language and literacy.
4. Collaborate with higher education and other agencies on integrated teacher education and professional development programs themed around literacy.

B. Improving Educator Quality for All Children

1. Partner with higher education and other agencies to ensure educators have the preparation and background to teach successfully in rural and urban settings and work with at-risk students.
2. Provided high quality professional development in best practices for educators working in schools struggling to meet academic requirements.
3. Work with higher education and other entities to develop school leaders who are successful in raising student achievement.
4. Developing strategies to recruit, induct, mentor and retain educators to serve "hard-to-staff" schools for at least five years.
5. Create networks (including online resources) to provide support, induction and mentoring, especially for first-time teachers and those teachers moving from initial to standard certification.

C. Expanding Data-Informed School Management and Support Practices

1. Establish a variety of shared services and cost-savings initiatives.
2. Leverage new state revenues to obtain public and private matching funds for innovative programs and services tied to the strategic planning initiatives.
3. Provide or broker expert fiscal guidance, including online support services, for school districts.
4. Foster and provide additional incentives for school district reorganization of multiple types.
5. Increase school-based technology for data-informed decision-making at the building level, reflecting greater access to educational research and outcomes evaluation for school improvement.
6. Establish a consistent role for the Regional Offices of Education and Intermediate Service Centers to be key providers of support services and hold them accountable for service delivery in conjunction with the Agency's responsibility to provide them with technical and fiscal support.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

AGENCY FUNCTIONS AND PLANNING PROGRAM
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

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

- Review and revise current statewide professional development programs to ensure focus on 21st century literacy skills.
- Collect and disseminate best practices targeting 21st century literacy skills acquisition at key transition points; have the best practices reviewed by the appropriate professional educators and disseminate those most recommended best practices.
- Research the option of adding a writing portion to the High School Standards testing (PSAE).
- Complete and disseminate Spanish language arts standards to support Spanish-language students in accessing content knowledge and obtaining skills necessary for literacy.
- Develop a Visiting Teacher Exchange program between the State and Puerto Rico to address the shortage of Spanish teachers needed to meet the strategic goals of enhancing literacy in the state.
- Review recommendations of and work with the Illinois Early Learning Council to coordinate and integrate the continuum of birth to eight services, focusing on 21st century literacy skills.
- Support ongoing efforts with the Illinois PTA to expand parents' role as their children's first teachers.
- Implement the new approval and accreditation model for higher education preparation programs to ensure the ability of pre-service educators to work with all students.
- Revise and streamline the system of Illinois certification to support the efforts of all Illinois educators to be highly qualified.
- Expand advance placement opportunities in high schools through teacher professional development activities and expand course offerings as well as expand the Illinois Virtual High School network.
- Implement the Beginning Teacher Induction Pilot programs formed based on research completed on 1st year teacher education graduates to determine needs for support, induction, mentoring and work with higher education institutions in responding to those needs.
- Oversee the implementation of the new Principal Mentoring Foundation Training program support, induction, mentoring, and professional development to help attain the goal of improving educator quality.
- Explore the use of multi-state consortia to accomplish ongoing and strategic plan initiatives such as increase avenues to certification reciprocity.
- Assess second-generation technology needs in school districts and advocate for funding proposals to meet those needs.
- Collaborate with the Regional Offices of Education/Intermediate Service Centers to provide professional development to teachers, paraprofessionals and administrators on the alignment and transition of pre-kindergarten programs.

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

AVERAGE NUMBER OF EMPLOYEES AND
AVERAGE SALARY PER EMPLOYEE

FOR THE YEAR ENDED JUNE 30, 2007

(Unaudited)

Average number of employees by division is presented as follows:

	<u>2007</u>	<u>2006</u>
NUMBER OF EMPLOYEES AT JUNE 30		
State Operating and Trust Funds	271	280
Federal Trust Funds	<u>200</u>	<u>206</u>
Total Agency employees at June 30	<u>471</u>	<u>486</u>
AVERAGE NUMBER OF EMPLOYEES		
State Operating and Trust Funds	264	221
Federal Trust Funds	<u>214</u>	<u>276</u>
Total average number of employees	<u>478</u>	<u>497</u>
Total personal service expenditures	<u>\$ 30,598,169</u>	<u>\$ 30,710,286</u>
Average salary per employee	<u>\$ 64,013</u>	<u>\$ 61,792</u>

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANNUAL STATISTICS – SUMMARY OF DEMOGRAPHIC DATA

FOR THE YEAR ENDED JUNE 30, 2007

(Unaudited)

Number of Public School Districts, 2005-2006

	<u>Operating</u>	<u>Nonoperating</u>	<u>Other</u>	<u>Total</u>
Elementary (Pre K-8)	377	0	0	377
Secondary (9-12)	100	2	0	102
Unit	395	0	0	395
Dept. of Corrections	1	0	0	1
Total	<u>873</u>	<u>2</u>	<u>0</u>	<u>875</u>

Number of Public and Nonpublic Attendance Centers, 2005-2006

	<u>Public</u>	<u>Nonpublic (1)</u>	<u>Total</u>
Elementary	2,609	1,037	3,646
Junior High	613	N/A	613
High School	665	116	781
Special Education and Others	393	67	460
Total	<u>4,280</u>	<u>1,220</u>	<u>5,500</u>

(1) Voluntarily reported and registered with ISBE.

School Enrollment, 2005-2006

	<u>Public</u>	<u>Nonpublic (2)</u>	<u>Total</u>	<u>Percent</u>
Elementary (Pre K-8)	1,480,508	200,022	1,680,530	70.9%
Secondary (9-12)	631,198	57,172	688,370	29.1%
Total	<u>2,111,706</u>	<u>257,194</u>	<u>2,368,900</u>	<u>100.0%</u>
Percent	<u>89%</u>	<u>11%</u>		

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

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ANNUAL STATISTICS – SUMMARY OF DEMOGRAPHIC DATA
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

(Unaudited)

Racial – Ethnic Distribution of Statewide Public School Enrollment, 2005-2006

	<u>Students</u>	<u>Percent</u>
White Non-Hispanic	1,169,501	55.4%
Black Non-Hispanic	428,207	20.3%
Hispanic	393,070	18.6%
Asian-Pacific Islander	79,264	3.7%
American Indian-Alaskan	3,948	0.2%
Multi Racial	37,716	1.8%
Total	<u>2,111,706</u>	<u>100.0%</u>
Total percent of minority students		<u>44.6%</u>

Public School Bilingual Education Enrollment, 2004-2005

	<u>Chicago</u>	<u>Downstate</u>	<u>Total</u>	<u>Percent</u>
Spanish	55,506	75,510	131,016	81.0%
Polish	2,807	3,861	6,668	4.1%
Arabic	951	1,773	2,724	1.7%
Urdu	912	1,177	2,089	1.3%
Korean	155	1,447	1,602	1.0%
Cantonese (Chinese)	1,314	296	1,610	1.0%
Pilipino (Tagalog)	465	846	1,311	0.8%
Gujarati	179	981	1,160	0.7%
Vietnamese	538	595	1,133	0.7%
Serbian	299	266	565	0.3%
Russian	116	876	992	0.6%
Lithuanian	35	792	827	0.5%
Japanese	38	667	705	0.4%
Bosnian	330	209	539	0.3%
Mandarin	139	468	607	0.4%
Bulgarian	158	393	551	0.3%
Ukrainian	242	315	557	0.3%

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ANNUAL STATISTICS – SUMMARY OF DEMOGRAPHIC DATA
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

(Unaudited)

Public School Bilingual Education Enrollment, 2004-2005 (Continued)

	<u>Chicago</u>	<u>Downstate</u>	<u>Total</u>	<u>Percent</u>
Romanian	187	211	398	0.2%
Assyrian (Syriac, Aramaic)	215	206	421	0.3%
Albanian, Gheg (Kosovo/Maced)	127	227	354	0.2%
French	184	250	434	0.3%
Hindi	72	262	334	0.2%
Malayalam	35	314	349	0.2%
Farsi (Persian)	47	138	185	0.1%
Telugu (Telegu)	27	201	228	0.1%
Haitian-Creole	59	44	103	0.1%
Panjabi (Punjabi)	12	146	158	0.1%
Greek	44	109	153	0.1%
Italian	29	91	120	0.1%
Cambodian (Khmer)	80	67	147	0.1%
Albanian, Tosk (Albanian)	5	126	131	0.1%
Portuguese	34	99	133	0.1%
Yoruba	93	34	127	0.1%
German	20	117	137	0.1%
Thai	32	79	111	0.1%
Turkish	36	130	166	0.1%
Maay Maay (MayMay)	87	44	131	0.1%
Amharic	76	36	112	0.1%
Mongolian	62	68	130	0.1%
Others (Identified)	462	1,162	1,624	1.0%
Others (Unidentified)	270	622	892	0.6%
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>66,479</u>	<u>95,255</u>	<u>161,734</u>	<u>100</u>

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

ANNUAL STATISTICS – SUMMARY OF DEMOGRAPHIC DATA
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

(Unaudited)

Twelfth Grade Graduates, 2005-2006

	<u>Public</u>	<u>Nonpublic</u>	<u>Total</u>
Male	62,564	6,612	69,476
Female	64,785	6,814	71,599
Total	<u>127,349</u>	<u>13,726</u>	<u>141,075</u>

Public Secondary School Dropouts by General and Ethnicity, 2005-2006

	<u>Female</u>	<u>Male</u>	<u>Total</u>
White Non-Hispanic	3,439	4,953	8,392
Black Non-Hispanic	4,159	5,391	9,550
Hispanic	2,677	3,632	6,309
Asian-Pacific Islander	176	243	419
American Indian-Alaskan	28	36	64
Multiracial	52	58	110
Total	<u>10,531</u>	<u>14,313</u>	<u>24,844</u>

Public School Pupil-to-Teacher Ratios

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

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ANNUAL STATISTICS – SUMMARY OF DEMOGRAPHIC DATA
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

(Unaudited)

Median/Mean Salaries for Selected Full-Time Personnel, 2006-2007

	<u>Median</u>	<u>Mean</u>
Regional Superintendents	\$ 88,127	\$ 91,295
District Superintendents	127,134	140,600
District Administrative Staff	78,262	79,754
Principals	95,751	99,790
Assistant Principals	89,157	91,144
Pupil Personnel Specialists	61,600	63,482
Supervisors	88,023	87,285
Special Ed/Speech Language Staff	53,379	54,665
Elementary Teachers (PreK-8)	52,415	55,683
Secondary Teachers (9-12)	58,827	63,428
All Classroom Teachers (PreK-12)	54,023	57,486
First-Year Teachers	37,530	38,363

Data excludes Chicago District #299. Salaries include board-paid retirement, extra-duty pay, flexible benefit plans, bonus payments and retirement incentives.

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

SERVICE EFFORTS AND ACCOMPLISHMENTS

FOR THE YEAR ENDED JUNE 30, 2007

(Unaudited)

The general objective of Service Efforts and Accomplishments (SEA) reporting is to provide the user of the Agency's financial statements with the information necessary to evaluate the efficiency and effectiveness of the Agency's use of financial and other resources. This is especially important given the significance of the Illinois State Board of Education to the State as a whole and the ongoing public debate concerning education policy across the nation. The following data was extracted from the School Report Card: Statewide Trend Data. School Report cards are to be made public by November 1 of each year. Note that some data for fiscal year 2007 are not currently available (*) at this time.

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

Performance Indicators	Performance Measures	
<u>Schools/Students</u>	<u>2007</u>	<u>2006</u>
Number of Operating School Districts	873	873
Number of Schools with Report Card Information	3,888	3,890
Low-Income Rate	40.9%	40.0%
Limited English Proficient Rate	7.2%	6.6%
Dropout Rate	3.5%	3.5%
Attendance Rate	93.7%	94.0%
Student Mobility Rate	15.2%	16.0%
Chronic Truancy Rate	2.5%	2.2%
Graduation Rate	85.9%	87.8%

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

SERVICE EFFORTS AND ACCOMPLISHMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

(Unaudited)

Performance Indicators	Performance Measures	
Student Achievement -- Percent of Students Meeting or Exceeding State Performance Standards	<u>2007</u>	<u>2006</u>
Reading	73	71
Third Grade	70	69
Fifth Grade	82	79
Eight Grade	54	58
Eleventh Grade		
Mathematics	87	86
Third Grade	83	79
Fifth Grade	81	78
Eight Grade	53	54
Eleventh Grade		
Science	80	80
Fourth Grade	79	81
Seventh Grade	51	51
Eleventh Grade		
ACT Composite Score (schools with Report Card Information)	21	21
Percent of Class Taking ACT	99	100

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SERVICE EFFORTS AND ACCOMPLISHMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

(Unaudited)

Performance Indicators	Performance Measures	
	<u>2007</u>	2006
<u>Teacher Information</u>		
Total Number of Teachers (FTE)	127,010	127,010
Years of Teaching Experience (average)	12.9	13
Percent with Graduate Degree	52.3	50.6
Students Per Teacher (elementary)	18.8	19.1
Students Per Teacher (secondary)	18.8	18.9
Students Per Administrator	230.6	221.9
Teacher Salary (average)	\$58,275	\$56,685
Administrator Salary (average)	\$102,310	\$100,396
 <u>Financial Information (05-06)</u>		
Instructional Expenditures Per Pupil	*	\$5,567
Operational Expenditures Per Pupil	*	\$9,488
 <u>Percent of Expenditures by Function (05-06)</u>		
Instruction	*	47.8
General Administration	*	2.6
Support Services	*	32.7
Other Expenditures	*	17.0
 <u>Percent of Expenditures by Fund (05-06)</u>		
Education	*	73.0
Operations and Maintenance	*	8.6
Transportation	*	3.9
Bond and Interest	*	6.2
All Other	*	8.3

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

HURRICANE KATRINA ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2007

(Unaudited)

In response to the call for help during the Hurricane Katrina disaster, the Governor ordered the State's public schools to waive residency requirements and enroll any child displaced by the hurricane that relocates to live with family, friends or in a shelter in Illinois. The agency did not send personnel, equipment or provide services to aid in the Katrina relief effort. However, monies were expended to aid schools that had an influx of students affected by the disaster. As of June 2006, the agency had assisted 2,914 students who were placed in school districts around Illinois. Furthermore as of June 30, 2007 the agency indicated that it had expended approximately \$4.32 million in funds from the Hurricane Education Recovery Act (HERA) and supplemental money in support of these students. The HERA provides financial support to schools of up to \$6,000 per student and \$7,500 per students served under the Individuals with Disabilities Education ACT (IDEA).

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

EMERGENCY PURCHASES

FOR THE YEAR ENDED JUNE 30, 2007

During fiscal year 2007, there was a problem with the Spring 2006 assessment test that necessitated re-scoring the test. Due to the urgency in reporting the scores, an emergency procurement for the re-scoring was processed in the amount of \$22,267.