

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION NO. 38**

Financial Audit

For the Year Ended June 30, 2007

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

TABLE OF CONTENTS

	<u>Pages</u>
Officials.....	1
Financial Report Summary	2-3
Financial Statement Report Summary	4
 FINANCIAL SECTION	
Independent Auditors’ Report.....	5-6
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	7-8
Schedule of Findings.....	9
Financial Statement Findings.....	10-14
Federal Awards Findings	15
Corrective Action Plan for Current Year Audit Findings.....	16-19
Summary Schedule of Prior Audit Findings.....	20
Management’s Discussion and Analysis	21-26
 BASIC FINANCIAL STATEMENTS	
	EXHIBIT
Government-wide Financial Statements	
Statement of Net Assets.....	A 27
Statement of Activities.....	B 28
Fund Financial Statements	
Governmental Funds – Balance Sheet.....	C 29
Governmental Funds – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	D 30
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balance.....	E 31
Governmental Funds – Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	F 32
Fiduciary Funds – Statement of Fiduciary Net Assets.....	G 33
Notes to Financial Statements.....	H 34-49
 Required Supplementary Information	
Illinois Municipal Retirement Fund Schedule of Funding Progress.....	50

TABLE OF CONTENTS

(Continued)

	<u>Pages</u>
SUPPLEMENTARY INFORMATION	
	SCHEDULE
General Fund Accounts	
Combining Schedule of Accounts	1 51
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	2 52
Budgetary Comparison Schedule, General Fund Accounts – Operating Fund	3 53
Education Fund Accounts	
Combining Schedule of Accounts	4 54
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	5 55
Budgetary Comparison Schedule, Truants Alternative/Optional Education	6 56
Budgetary Comparison Schedule, McKinney Education for Homeless Children.....	7 57
Institute Fund Accounts	
Combining Schedule of Accounts	8 58
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	9 59
Nonmajor Special Revenue Funds	
Combining Balance Sheet	10 60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	11 61
Fiduciary Funds	
Combining Statement of Fiduciary Net Assets – All Agency Funds	12 62
Combining Statement of Changes in Assets and Liabilities – Agency Funds.....	13 63
Schedule of Disbursements to School District Treasurers and Others	14 64

AGENCY OFFICIALS

Officials

Regional Superintendent

Ms. Jean Anderson
(current and during the audit period)

Assistant Regional Superintendent

Ms. Terri McDowell
(current and during the audit period)

Office Locations:

122 North McLean Street
Lincoln, IL 62656

Mason County Courthouse
Havana, IL 62644

FINANCIAL REPORT SUMMARY

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit Findings	4	3
Repeated Audit Findings	1	2
Prior recommendations implemented or not repeated	2	2

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
		Findings (<i>Government Auditing Standards</i>)
07-1	10	Controls Over Compliance with Laws and Regulations
07-2	11	Not Reconciling Cash Balances
07-3	12	Internal Control Over Financial Statement Preparation
07-4	14	Uninsured Deposits in Bank
		Findings (<i>Federal Compliance</i>)
None		
		Prior Findings Not Repeated (<i>Government Auditing Standards</i>)
06-2	20	Different Bank Accounts Combined Under One Account Code
06-3	20	General Ledger System
		Prior Findings Repeated (<i>Government Auditing Standards</i>)
06-1	20	Controls over Compliance with Laws and Regulations

FINANCIAL REPORT SUMMARY

(Continued)

EXIT CONFERENCE

An informal exit conference was held on July 30, 2008. Attending were Kenneth Yu, Partner, Ms. Jean Anderson, Regional Superintendent and Ms. Sandy Blane, Administrative Assistant. Responses to the recommendations were provided by Jean Anderson on August 13, 2008.

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

FINANCIAL STATEMENT REPORT SUMMARY

FOR THE YEAR ENDED JUNE 30, 2007

The audit of the accompanying basic financial statements of the Logan/Mason/Menard Counties Regional Office of Education No. 38 was performed by Hill, Taylor LLC.

Based on their audit, the auditors expressed an unqualified opinion on the Regional Office of Education No. 38's basic financial statements.



Hill, Taylor LLC
Certified Public Accountants
116 South Michigan Avenue, 11th Floor
Chicago, Illinois 60603
V 312-332-4964 F 312-332-0181

Member of the
American Institute
of Certified Public Accountants

Member of the
Illinois CPA Society

Independent Auditors' Report

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Logan/Mason/Menard Counties Regional Office of Education No. 38, as of and for the year ended June 30, 2007, which collectively comprise the Regional Office of Education No. 38's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Regional Office of Education No. 38'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.

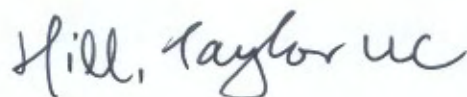
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Regional Office of Education No. 38, as of June 30, 2007, and the 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 August 15, 2008 on our consideration of the Regional Office of Education No. 38's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of

that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 21 through 26 and 50 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional Office of Education No. 38's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and Schedule of Disbursements to School District Treasurers and Others – Distributive Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and Schedule of Disbursements to School District Treasurers and Others – Distributive Fund have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



August 15, 2008



Hill, Taylor LLC
Certified Public Accountants
116 South Michigan Avenue, 11th Floor
Chicago, Illinois 60603
V 312-332-4964 F 312-332-0181

Member of the
American Institute
of Certified Public Accountants

Member of the
Illinois CPA Society

**Report on Internal Control Over
Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
*Government Auditing Standards***

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Logan/Mason/Menard Counties Regional Office of Education No. 38, as of and for the year ended June 30, 2007, which collectively comprise the Regional Office of Education No. 38's basic financial statements and have issued our report thereon dated August 15, 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 Regional Office of Education No. 38's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Regional Office of Education No. 38's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Regional Office of Education No. 38's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting, 07-2, 07-3, and 07-4.

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, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, of the significant deficiencies described above, we consider items 07-2 and 07-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regional Office of Education No. 38'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*. However, we noted a certain immaterial instance of noncompliance or other matters which we reported on the accompanying Schedule of Findings as item 07-1.

Regional Office of Education No. 38's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit Regional Office of Education No. 38's responses and, accordingly, we express no opinion on them.

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

Hill, Taylor UC

August 15, 2008

SCHEDULE OF FINDINGS

FOR THE YEAR ENDED JUNE 30, 2007

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? yes no N/A
- Significant Deficiency (ies) identified that are not considered to be material weaknesses? yes no N/A

Type of auditors’ report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? yes no N/A

Identification of major programs: N/A

CFDA Number(s)

Name of Federal Program or Cluster

N/A

Dollar threshold used to distinguish Type A and Type B programs: N/A

Auditee qualified as low risk auditee? yes no N/A

SCHEDULE OF FINDINGS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

Section II – Financial Statement Findings

Finding No. 07-1 – Controls Over Compliance with Laws and Regulations (Repeated from: 06-1)

Criteria/specific requirement:

The Illinois School Code 105 ILCS 5/3-5 states that the county superintendent shall present under oath or affirmation to the county board at its meeting in September and as nearly quarterly thereafter as it may have regular or special meetings, a report of all her acts as county superintendent, including a list of all the schools visited with the dates of visitation. (This mandate has existed in its current form since at least 1953.)

Condition:

The Superintendent of the Regional Office of Education No. 38 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all her acts including a list of all the schools visited and dates of visitation. While the Regional Superintendent did not attend the Menard County board meetings during 2007, she did attend some of the Mason and Logan Counties' board meetings in 2007.

Effect:

The Regional Office of Education No. 38 did not comply with the statutory requirement.

Cause:

The Regional Superintendent was unable to attend all of the required county board meetings in 2007.

Recommendation:

The Regional Superintendent should affirm to the county boards in September and quarterly thereafter, a report of all her acts as county superintendent including a list of all schools visited and dates of visitation as required by 105 ILCS 5/3-5.

Management's response:

Management is in the process of addressing this issue. The Regional Office of Education No. 38 presented an Annual Report of Official Acts to each of our three county boards in the fall of 2007, which covered the period from July 1, 2006 through June 30, 2007. A second quarter report, which covered the period from July 1, 2007 through December 31, 2007 was sent to each county board in the winter of 2008, and an FY 08 Annual Report of Official Acts, covering July 1 through June 30, 2008 was sent in July 2008.

SCHEDULE OF FINDINGS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

Section II – Financial Statement Findings (Continued)

Finding No. 07-2 – Not Reconciling Cash Balances

Criteria/specific requirement:

Good internal control requires the Regional Office of Education No. 38 to reconcile its cash account balances to the general ledger on a monthly basis.

Condition:

The Regional Office of Education No. 38 did not reconcile one of its cash account balances to the general ledger.

Effect:

The general ledger may not reflect the correct cash balance of Regional Office of Education No. 38 at the end of the period.

Cause:

The Regional Office of Education No. 38's personnel did not properly reconcile one of the cash account balances throughout the year.

Recommendation:

The Regional Office of Education No. 38 should reconcile cash balances on a monthly basis and make sure that bank reconciliation and book balances are the same.

Management's response:

Management is in the process of correcting this issue. All account balances will be reconciled on a monthly basis and care will be taken to ensure that book balances are the same.

SCHEDULE OF FINDINGS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

Section II – Financial Statement Findings (Continued)

Finding No. 07-3 – Internal Control Over Financial Statement Preparation

Criteria/specific requirement:

The Regional Office of Education No. 38 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

Condition:

The Regional Office of Education No. 38 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not maintain adequate controls over the financial reporting process and numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.

Effect:

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

Cause:

According to Regional Office officials, this condition is caused by a lack of training and insufficient resources allocated to maintaining effective internal control over financial reporting.

SCHEDULE OF FINDINGS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

Section II – Financial Statement Findings (Continued)

Finding No. 07-3 – Continued

Recommendation:

As part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education No. 38 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

Management's response:

The Regional Office of Education No. 38 understands the nature of this finding and realizes the circumstance is not unusual in an organization of this size. The Regional Office accepts the degree of risk associated with this condition because the added expense of seeking additional accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region. As such, we will continue to do the best we can with what we have in resources.

SCHEDULE OF FINDINGS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

Section II – Financial Statement Findings (Continued)

Finding No. 07-4 – Uninsured Deposits in Bank

Criteria/specific requirement:

Public Funds Deposit Act, (30 ILCS 225/1) gives the authorization for deposits in excess of the federally insured limit to be covered by pledged collateral held by the financial institutions' trust departments in the Regional Office of Education No. 38's name. In addition, prudent business practice requires that all deposits held by financial institutions for the Regional Office of Education No. 38 be adequately covered by depository insurance or collateral.

Condition:

At June 30, 2007, the Regional Office of Education No. 38 had \$54,348 of deposits in a bank which exceeded the Federal Deposit Insurance Corporation (FDIC) insured limit and no monitoring of the collateral regarding the amount in excess of FDIC insured limit was being made.

Effect:

Uninsured deposits could cause a loss to the Regional Office of Education No. 38 if the bank failed.

Cause:

Regional Office of Education No. 38 did not monitor the collateral for deposits in excess of federal depository insurance limit.

Recommendation:

The Regional Office of Education No. 38 should periodically monitor the amount of collateral held on deposits to ensure that an adequate amount is maintained.

Management's response:

Management understands the nature of this finding but believes that accounts for Regional Office of Education No. 38 have been collateralized for a number of years for those that exceed the \$100,000 FDIC-insurable level. However, management will take steps to ensure periodic monitoring of the amount of collateral held on deposits to ensure that an adequate amount is maintained.

SCHEDULE OF FINDINGS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

Section III –Federal Awards Findings

Instances of Noncompliance:

None.

Significant Deficiencies or Material Weaknesses:

None.

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2007

Corrective Action Plan for current year audit findings

Finding No. 07-1. Controls Over Compliance with Laws and Regulations

Condition:

The Superintendent of the Regional Office of Education No. 38 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all her acts including a list of all the schools visited and dates of visitation. While the Regional Superintendent did not attend the Menard County board meetings during 2007, she did attend some of the Mason and Logan Counties' board meetings in 2007.

Plan:

Beginning with September 2008, a Report of Official Acts will be provided to each county board as nearly quarterly as possible.

Anticipated Date of Completion:

October 2008 and ongoing.

Name of Contact Person:

Sandy Blane, Administrative Assistant/Bookkeeper/Office Manager

CORRECTIVE ACTION PLAN

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

Corrective Action Plan for current year audit findings

Finding No. 07-2. Not Reconciling Cash balances

Condition:

The Regional Office of Education No. 38 did not reconcile one of its cash account balances to the general ledger.

Plan:

The Regional Office of Education No. 38 will take immediate steps to ensure that book balances are the same and that every account balance will be reconciled each month.

Anticipated Date of Completion:

Management is in the process of correcting this issue.

Name of Contact Person:

Sandy Blane, Administrative Assistant/Bookkeeper/Office Manager

CORRECTIVE ACTION PLAN

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

Corrective Action Plan for current year audit findings

Finding No. 07-3. Internal Control Over Financial Statement Preparation

Condition:

The Regional Office of Education No. 38 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not maintain adequate controls over the financial reporting process and numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.

Plan:

At the present time, the additional cost to the Regional Office of Education No. 38 of hiring and training additional staff or contracting the service outweighs the benefits. Along with implementing a change currently under development for our bookkeeping system, the Regional Superintendent will review financial transactions and financial reports on a monthly basis. The Regional Office will review, approve, and accept responsibility for the financial statements and related items, and if additional resources are made available through the State, the office will consider seeking the services of an accountant to review the financial statements, including disclosures for completeness and accuracy.

Anticipated Date of Completion:

Ongoing.

Name of Contact Person:

Jean Anderson, Regional Superintendent of Schools

CORRECTIVE ACTION PLAN
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

Corrective Action Plan for current year audit findings

Finding No. 07-4. Uninsured Deposits in Bank

Condition:

At June 30, 2007, the Regional Office of Education No. 38 had \$54,348 of deposits in a bank which exceeded the Federal Deposit Insurance Corporation (FDIC) insured limit and no monitoring of the collateral regarding the amount in excess of FDIC insured limit was being made.

Plan:

Based on a belief that the original policy for collateralizing the accounts may have been misplaced, management will take steps to secure a replacement policy. In addition to periodically monitoring the amount of collateral held on deposits to ensure that an adequate amount is maintained, management also will study other options with regard to moving some accounts to another bank.

Anticipated Date of Completion:

Management is in the process of correcting this issue.

Name of Contact Person:

Jean Anderson, Regional Superintendent of Schools

**Regional Office of Education No. 38
Summary Schedule of Prior Audit Findings
June 30, 2007**

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
06-1	A. Public Act 95-496 repealed the requirements of 105 ILCS 5/3-14.11.	Resolved
	B. The Regional Office of Education No. 38 did not comply with the requirements of 105 ILCS 5/3-14.25.	Finding was not repeated
	C. The Regional Office of Education No. 38 did not present at the September county board meeting and as nearly quarterly, thereafter, a report of all her acts including a list of all schools visited and the dates of visitation.	Repeated as 07-1
	D. Public Act 95-496 repealed the requirements of 105 ILCS 5/3-14.5.	Resolved
	E. The Regional Office of Education No. 38 did not comply with the requirements of 105 ILCS 5/3-7.	Finding was not repeated
06-2	Different bank accounts combined under one account code	Finding was not repeated
06-3	General ledger system	Finding was not repeated

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2007

The Regional Office of Education No. 38 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$318,510 in fiscal year 2006 to \$304,866 in fiscal year 2007, and the General Fund expenditures increased from \$301,501 in fiscal year 2006 to \$304,195 in fiscal year 2007. The Regional Office of Education No. 38 experienced an increase in the General Fund's fund balance from \$37,332 in fiscal year 2006 to \$38,064 in fiscal year 2007.
- The decrease in General Fund revenues was attributable to the local sources of revenue. The increase in General Fund expenditures was primarily due to an increase in salaries.
- Education Fund revenues increased from \$89,631 in fiscal year 2006 to \$93,169 in fiscal year 2007, and the Education Fund expenditures increased from \$87,757 in fiscal year 2006 to \$91,785 in fiscal year 2007. The Education Fund's fund balance experienced an increase from \$1,131 in fiscal year 2006 to \$2,531 in fiscal year 2007 due to overall increase in State support.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.
- The Government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Regional Office of Education No. 38 as a whole and present an overall view of the Agency's finances.
- The fund financial statements tell how governmental services were financed in the short-term, as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

USING THIS ANNUAL REPORT (Continued)

- Supplemental Information further explains and supports the financial statements with a comparison of the Agency's detailed information for each category of funds and provides detailed information about the nonmajor funds.

REPORTING THE OFFICE AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The Government-wide statements report information about the Regional Office of Education No. 38 as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the Agency's assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

Fund Financial Statements

The fund financial statements provide detailed information about the Agency's funds, focusing on its most significant or "major" funds. Funds are accounting devices, which allow the tracking of specific sources of funding and spending on particular programs. State law requires the establishment of funds. The Regional Office of Education No. 38 established other funds to control and manage money for particular purposes.

The Agency has two kinds of Fund classifications:

- 1) Governmental funds account for all the Agency's services. These focus on how cash, and other financial assets that can be readily converted to cash, flow in and out and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Agency's programs. The Agency's Governmental Funds include the General Fund and the Special Revenue Funds. The required financial statements for Governmental Funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

Fund Financial Statements (Continued)

- 2) Fiduciary Funds account for services for which the Regional Office of Education No. 38 acts as a fiscal agent for individuals and private or governmental organizations. The fiduciary funds' required financial statements include a Statement of Fiduciary Net Assets.

A summary reconciliation between the Government-wide financial statements and the fund financial statements is included in the fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The Regional Office of Education No. 38's net assets at the end of fiscal year 2007 totaled \$170,893. At the end of fiscal year 2006, the net assets were \$173,319. The analysis that follows provides a summary of the Agency's net assets at June 30, 2007 and 2006 for governmental activities.

CONDENSED STATEMENT OF NET ASSETS

June 30, 2007 and 2006

Governmental Activities

	<u>2007</u>	<u>2006</u>
Current Assets	\$ 157,709	\$ 153,991
Capital Assets	<u>13,843</u>	<u>19,871</u>
Total Assets	<u>171,552</u>	<u>173,862</u>
Current Liabilities	<u>\$ 659</u>	<u>\$ 543</u>
Total Liabilities	<u>659</u>	<u>543</u>
Net Asset		
Investment in capital assets, net of related debt	13,843	19,871
Unrestricted	87,193	83,263
Restricted for teacher professional development	<u>69,857</u>	<u>70,185</u>
Total Net Assets	<u>\$ 170,893</u>	<u>\$ 173,319</u>

The Regional Office of Education No. 38's net assets decreased by \$2,426 from fiscal year 2006 to fiscal year 2007. The decrease was primarily due to increases in salaries.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

CHANGES IN NET ASSETS

The following analysis shows the changes in net assets for the years ended June 30, 2007 and 2006.

	Governmental Activities		Total	
	2007	2006	2007	2006
Revenues:				
Program revenues:				
Operating grants and contributions	\$ 96,169	\$ 92,631	\$ 96,169	\$ 92,631
General Revenues:				
Local sources	151,020	175,555	151,020	175,555
On-behalf payments	181,283	180,634	181,283	180,634
Interest	3,272	763	3,272	763
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	431,744	449,583	431,744	449,583
	<hr/>	<hr/>	<hr/>	<hr/>
Expenses:				
Programs expenses:				
Salaries and benefits	188,620	175,248	188,620	175,248
Purchased services	38,824	50,268	38,824	50,268
Supplies and materials	8,047	6,631	8,047	6,631
Other objects	11,368	8,611	11,368	8,611
Depreciation	6,028	6,027	6,028	6,027
Administrative expenses:				
On- behalf payments - state	181,283	180,634	181,283	180,634
Total expenses	434,170	427,419	434,170	427,419
	<hr/>	<hr/>	<hr/>	<hr/>
Changes in net assets	(2,426)	22,164	(2,426)	22,164
Net assets, beginning of year	173,319	151,155	173,319	151,155
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 170,893</u>	<u>\$ 173,319</u>	<u>\$ 170,893</u>	<u>\$ 173,319</u>

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

Governmental Activities

Revenues for governmental activities were \$431,744 and expenses were \$434,170.

Financial Analysis of the Regional Office of Education No. 38 Funds

As previously noted, the Regional Office of Education No. 38 used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency's Governmental Funds reported combined fund balances of \$157,050. This is an increase of \$3,602 from last year's balance of \$153,448. The primary reason for the increase was due to increases in county support.

Governmental Fund Highlights

- The County support requested for the Regional Office of Education No. 38 grew by approximately 1% over the last two County budget years.

Budgetary Highlights

The Regional Office of Education No. 38 annually adopts budgets for several funds when required by the granting Agency. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the three County Boards for their approval. The Office Operations covers a fiscal year of December 1 through November 30.

All grant budgets are prepared by the Regional Office of Education No. 38 and submitted to the granting Agency for approval; however, they are not legally required or adopted. Amendments must be submitted under guidelines established by the granting Agency. Schedules showing the budget amounts compared to the Agency's actual financial activity are included in the supplementary information of this report.

Capital Assets

Capital Assets of the Regional Office of Education No. 38 include equipment, computers, audio-visual equipment and office furniture. The Regional Office of Education No. 38 maintains an inventory of capital assets, which have been accumulated over time. The decrease for fiscal year 2007 was \$6,028 a result of equipment being depreciated. The Regional Office of Education No. 38's capital asset balances for fiscal year 2007 is \$13,843, which is the total original cost of the capital assets less accumulated depreciation. More detailed information about capital assets is available in Note 6 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

Economic Factors and Next Year's Budget

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

- The interest rate on investments remains low and will impact interest earned.
- Truancy Programs' funding has been slightly increased.
- Homeless Program's funding will slightly decrease in the next fiscal year.
- Since the State takes longer to issue money to the Regional Office of Education, it may force the Agency to take out a loan in order to cover some expenses while awaiting funding.
- The rising cost of supplies and personnel is not being met by the proposed funding from the State and local sources.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the Agency's citizens, taxpayers, clients, and other constituents with a general overview of its finances and to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the Regional Office of Education No. 38, at 122 N. McLean Street, Lincoln, IL 62656.

Basic Financial Statements

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

STATEMENT OF NET ASSETS

JUNE 30, 2007

	<u>Primary government</u>	
	<u>Governmental activities</u>	<u>Total</u>
Assets:		
Current assets:		
Cash	\$ 157,524	\$ 157,524
Due from other government agencies	<u>185</u>	<u>185</u>
Total current assets	157,709	157,709
Noncurrent assets:		
Capital assets, being depreciated, net	<u>13,843</u>	<u>13,843</u>
Total assets	<u>\$ 171,552</u>	<u>\$ 171,552</u>
Liabilities:		
Current liabilities:		
Due to other government agencies	<u>\$ 659</u>	<u>\$ 659</u>
Total Liabilities	<u>659</u>	<u>659</u>
Net assets:		
Investment in capital assets, net of related debt	13,843	13,843
Unrestricted	87,193	87,193
Restricted for teacher professional development	<u>69,857</u>	<u>69,857</u>
Total Net Assets	<u>\$ 170,893</u>	<u>\$ 170,893</u>

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

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38STATEMENT OF ACTIVITIESFOR THE YEAR ENDED JUNE 30, 2007

	Expenses	Program revenues Operating grants and contributions	Net (expense)/revenue and changes in net assets	
			Governmental activities	Total
Functions/programs:				
Governmental activities:				
Instructional services:				
Salaries	\$ 174,094	\$ 66,437	\$ (107,657)	\$ (107,657)
Employee benefits	14,526	5,472	(9,054)	(9,054)
Purchased services	38,824	14,384	(24,440)	(24,440)
Supplies and materials	8,047	3,245	(4,802)	(4,802)
Other objects	11,368	6,631	(4,737)	(4,737)
Depreciation	6,028	-	(6,028)	(6,028)
Administrative:				
On-behalf payments - State	181,283	-	(181,283)	(181,283)
Total governmental activities	<u>\$ 434,170</u>	<u>\$ 96,169</u>	<u>(338,001)</u>	<u>(338,001)</u>
General revenues:				
Local sources			151,020	151,020
Interest income			3,272	3,272
On behalf payments - State			181,283	181,283
Total general revenues			<u>335,575</u>	<u>335,575</u>
Change in net assets			(2,426)	(2,426)
Net assets - July 1, 2006			<u>173,319</u>	<u>173,319</u>
Net assets - June 30, 2007			<u>\$ 170,893</u>	<u>\$ 170,893</u>

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

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

BALANCE SHEETGOVERNMENTAL FUNDSJUNE 30, 2007

	General fund	Education fund	Institute fund	G.E.D. fund	Other nonmajor funds	Total governmental funds
Assets:						
Cash	\$ 38,606	\$ 2,531	\$ 69,969	\$ 27,877	\$ 18,541	\$ 157,524
Due from other government agencies	5	-	-	180	-	185
Total assets	<u>\$ 38,611</u>	<u>\$ 2,531</u>	<u>\$ 69,969</u>	<u>\$ 28,057</u>	<u>\$ 18,541</u>	<u>\$ 157,709</u>
Liabilities:						
Due to other government agencies	547	-	112	-	-	659
Total Liabilities	<u>547</u>	<u>-</u>	<u>112</u>	<u>-</u>	<u>-</u>	<u>659</u>
Fund Balances:						
Unreserved, reported in:						
General fund	\$ 38,064	\$ -	\$ -	\$ -	\$ -	\$ 38,064
Special revenue fund	-	2,531	69,857	28,057	18,541	118,986
Total fund balances	<u>38,064</u>	<u>2,531</u>	<u>69,857</u>	<u>28,057</u>	<u>18,541</u>	<u>157,050</u>
Total liabilities and fund balances	<u>\$ 38,611</u>	<u>\$ 2,531</u>	<u>\$ 69,969</u>	<u>\$ 28,057</u>	<u>\$ 18,541</u>	<u>\$ 157,709</u>

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

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETSJUNE 30, 2007

Total fund balances - governmental funds	\$ 157,050
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds	<u>13,843</u>
Net assets of governmental activities	<u>\$ 170,893</u>

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

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	General fund	Education fund	Institute fund	G.E.D. fund	Other nonmajor funds	Total governmental funds
Revenue:						
Federal sources	\$ -	\$ 12,300	\$ -	\$ -	\$ -	\$ 12,300
State sources	-	80,869	-	-	3,000	83,869
Local sources	123,583	-	15,200	3,891	8,346	151,020
On behalf payments - State	181,283	-	-	-	-	181,283
Total revenue	304,866	93,169	15,200	3,891	11,346	428,472
Expenditures:						
Current:						
Salaries	97,250	76,844	-	-	-	174,094
Employee benefits	7,721	6,805	-	-	-	14,526
Purchased services	12,625	5,271	17,023	1,870	2,035	38,824
Supplies and materials	3,350	1,670	1,378	1,269	380	8,047
Other objects	1,966	1,195	82	-	8,125	11,368
Administrative:						
On-behalf payments - State	181,283	-	-	-	-	181,283
Total expenditures	304,195	91,785	18,483	3,139	10,540	428,142
Excess/(deficiency) of revenue over/(under) expenditures	671	1,384	(3,283)	752	806	330
Other financing sources/(uses):						
Transfers in	430	25	56	-	-	511
Transfers out	(430)	(25)	(56)	-	-	(511)
Interest	61	16	2,955	-	240	3,272
Total other financing sources/(uses)	61	16	2,955	-	240	3,272
Net changes in fund balances	732	1,400	(328)	752	1,046	3,602
Fund balances - July 1, 2006	37,332	1,131	70,185	27,305	17,495	153,448
Fund balances - June 30, 2007	\$ 38,064	\$ 2,531	\$ 69,857	\$ 28,057	\$ 18,541	\$ 157,050

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

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIESGOVERNMENTAL FUNDSFOR THE YEAR ENDED JUNE 30, 2007

Net change in fund balances - governmental funds	\$ 3,602
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	<u>(6,028)</u>
Change in net assets of governmental activities	<u>\$ (2,426)</u>

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

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38STATEMENT OF FIDUCIARY NET ASSETSFIDUCIARY FUNDSJUNE 30, 2007

	<u>Agency funds</u>
Assets:	
Cash	\$ <u>1,712</u>
Total assets	\$ <u>1,712</u>
Liabilities:	
Due to other government agencies	\$ <u>1,712</u>
Total liabilities	\$ <u>1,712</u>

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

1. Organization Description

The Regional Office of Education No. 38 was formed under the provisions of the State of Illinois, Illinois Board of Education.

The Logan, Mason, and Menard Counties Regional Office of Education No. 38 is an entity that is a result of two Educational Service Regions becoming a Regional Office of Education as of August 1, 1979. The Logan/Mason/Menard Counties Regional Office of Education No. 38 operates under the School Code (105 ILCS 5/3 and 5/3A). The Regional Office of Education No. 38 encompasses Logan, Mason, and Menard Counties, Illinois. A Regional Superintendent of Schools serves as Chief Administrative Officer of the Regional Office of Education No. 38 and is elected pursuant to 105 ILCS 5/3 and 5/3A of the School Code. The principal financial duty of the Regional Superintendent is to receive and distribute monies to school districts from general state aid, state categorical grants, and various other sources.

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

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before September 30; maintenance of a map and numbering of the Regional Office of Education No. 38's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State laws; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related actions as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

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

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

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

1. Organization Description (Continued)

For the period ended June 30, 2007, the Regional Office of Education No. 38 applied for, received and administered State programs and grants in assistance and support of the educational activities of the school districts of the Regional Office of Education No. 38. Such activities are reported as a single major special revenue fund (Education Fund).

2. Summary of Significant Accounting Policies

The financial statements of the Regional Office of Education No. 38 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.

a. Financial Reporting Entity

The Regional Office of Education No. 38's reporting entity includes all related organizations for which the Regional Office of Education No. 38 exercises oversight responsibility.

The Regional Office of Education No. 38 has developed criteria to determine whether outside agencies with activities that benefit the citizens of the Regional Office of Education No. 38, including joint agreements that serve pupils from numerous school districts, should be included within its financial reporting entity. The criteria include but are not limited to, whether the Regional Office of Education No. 38 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The Regional Office of Education No. 38 acts as the administrative agent for the Regional Vocational Delivery System (a joint agreement). As administrative agent, the Regional Office of Education No. 38 receives and distributes the Regional Vocational Delivery System's funding.

The joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the Regional Office of Education No. 38 does not control the assets, operations, or management of the districts or joint agreements. In addition, the Regional Office of Education No. 38 is not aware of any entity, which would exercise such oversight as to result in the Regional Office of Education No. 38 being considered a component unit of the entity.

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

2. Summary of Significant Accounting Policies (Continued)

b. Basis of Presentation

Governmental-wide and Fund Financial Statements

The government-wide financial statements (i.e. Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effects of interfund activity have been removed from these statements. Governmental activities include programs supported by State and Federal grants and other intergovernmental revenues.

The Regional Office of Education No. 38's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental activities for the Regional Office of Education No. 38 accompanied by a total column. These statements are presented on an "economic resources" measurement as prescribed by GASB Statement No. 34. All of the Regional Office of Education No. 38's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Assets. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges for services, and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

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

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

Governmental Fund Financial Statements

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

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

2. Summary of Significant Accounting Policies (Continued)

b. Basis of Presentation (Continued)

Governmental Fund Financial Statements (Continued)

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

c. Measurement Focus and Basis of Accounting

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

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

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Regional Office of Education No. 38, therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenue at the time of receipt or earlier if the susceptible to accrual criteria are met.

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

2. Summary of Significant Accounting Policies (Continued)

d. Fund Accounting

The Regional Office of Education No. 38 uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Regional Office of Education No. 38 uses governmental and fiduciary funds.

Governmental Funds

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

As prescribed by GASB 34, governmental fund reporting focuses on the major funds, rather than fund type. There is a two-step process for determining if a fund should be reported as a major fund: (1) total assets, liabilities, revenues or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for the fund type, and (2) total assets, liabilities, revenues or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and proprietary funds combined. Funds that do not meet the major fund determination requirements are reported in aggregate as nonmajor funds. The Regional Office of Education No. 38 has presented all major funds that meet the above qualifications.

The Regional Office of Education No. 38 reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Regional Office of Education No. 38. It is used to account for the expenditures, which benefit all school districts in the region except those required to be accounted for in other funds. General funds include the following:

Operating Fund – This fund accounts for the support that provides funding for the Regional Office of Education No. 38.

Indirect Cost Fund – This fund accounts for the indirect costs for the Regional Office of Education No. 38.

Payroll Fund – The fund accounts for the payroll for the Regional Office of Education No. 38. The Payroll Fund was closed during the year ended June 30, 2007.

Operating/Land Transfer Fund – The Regional Office of Education is responsible for Land Transfer petitions. A person wishing to send their child to another school district

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

2. Summary of Significant Accounting Policies (Continued)

d. Fund Accounting (Continued)

can petition the Regional Board of School Trustees to detach their property from one district and annex it to another. The petitioner is required to pay for this process and this account tracks the money that they pay to the office.

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

Education Fund – This fund is used to account for various grant and education enhancement programs as follows:

Truants Alternative/Optional Education – This fund is used to account for a grant that provides truancy guidance and alternative education options for applicable students within the region.

McKinney Education for Homeless Children – This program facilitates the enrollment, attendance and educational success of homeless children and youths so that they have an opportunity to meet the same challenging State standards to which all students are held.

The Hancock/McDonough Regional Office of Education receives the McKinney Homeless funds and then sends the Regional Office of Education No. 38 an approved budgeted portion of the grant to pay for a Homeless Coordinator.

General Education Development Fund – This fund is used to account for the administration of General Education Development testing for applicants within the region.

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

The Institute Fund receives money from Teacher Certification fees to be used for Teacher in-service Workshops or other items pertaining to the teachers in the region. Checks are written out of this account. The Institute Fund also includes an investment account which is a 7-day CD at a local bank. The investment account receives no other money, except by transfer, and writes no checks.

The Institute Fund shares a bank account with GED and Bus Driver Funding.

The Regional Office of Education No. 38 reports the following nonmajor governmental funds:

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

2. Summary of Significant Accounting Policies (Continued)

d. Fund Accounting (Continued)

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

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

Media Materials Fund – This fund is used to account for library and video materials that are available to all the districts in the region.

Bus Driver Fund – This fund is used to account for the testing and training of bus drivers for the districts within the region.

Substitute Teacher Fingerprinting Fund – This fund is used to account for fingerprinting services for new substitute teachers in the region.

Fiduciary Funds

Agency Funds – Agency Funds are used to account for assets held by the Regional Office of Education No. 38 in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Distributive Fund – This fund is used to track the flow-through of funds from the Illinois State Board of Education (ISBE) to the recipients and the programs that the Regional Office of Education No. 38 serves as the administrative agent.

Interest earned on distributive funds is distributed to schools and other organizations on a bi-annual basis.

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

2. Summary of Significant Accounting Policies (Continued)

e. Fund Balances and Net Assets

Effective for the year ending June 30, 2005, the Regional Office of Education No. 38 adopted GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation (an amendment of GASB Statement No. 34)*, which clarifies the definition of legal enforceability as it relates to net assets restricted by enabling legislation and requires disclosure of the amount of net assets restricted by enabling legislation.

There was no significant impact on the Regional Office of Education No. 38's financial statements as a result of adopting this statement.

The Statement of Net Assets includes the following:

Investment in Capital Assets, net of related debt – the component of net assets that reports the difference between capital assets less both accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of these assets.

Restricted – represents resources in which the ROE is legally obligated to spend in accordance with restrictions imposed by enabling legislation.

Unrestricted – represents resources used for transactions relating to the general operating of the ROE and may be used at the discretion of management to meet expenses for any purpose.

f. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit. The Regional Office of Education No. 38 considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

g. Inventory

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

h. Capital Assets

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, establishes standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries. The Regional Office of Education No. 38 has not yet determined the impact on its financial statements as a result of adopting this statement.

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

2. Summary of Significant Accounting Policies (Continued)

h. Capital Assets (Continued)

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

Office equipment furniture	8 – 15 years
Computer equipment	5 – 8 years
Leasehold improvements	15 – 25 years

i. Compensated Absences

Employees who work 12 calendar months earn up to 20 vacation days for a full year of service. The accumulated total of vacation days may never exceed 30 days. In the event that a program terminates, no vacation days will be honored past the ending date of the program. Employees who work less than 12 calendar months per year do not earn vacation days.

Employees receive up to 12 sick days annually and the unused portion is accumulated up to 180 days and carried forward. Employee sick leave is recorded when paid. Upon termination, employees do not receive any accumulated sick leave pay and therefore, no liability is accrued.

j. Estimates

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

k. Budget Information

The Regional Office of Education No. 38 acts as the administrative agent for certain grant programs that are accounted for in the General and Education Funds. Certain programs have separate budgets and are required to report to the Illinois State Board of Education; however, none of the budgets have been legally adopted, nor are they required to be. The General Fund and certain programs within the Special Revenue Fund do not have separate budgets. Comparisons of budgeted and actual results are presented as supplemental information. Budget information has been provided in supplementary schedules for the Operating Fund, Truant Alternative/Optional Education Fund and McKinney Education for Homeless Children.

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

3. Deposits and Investments

a. Deposits

Effective for the year ending June 30, 2005, the Regional Office of Education No. 38 adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*, which adds, modifies, and eliminates certain risk disclosures related to deposits and investments. There was no significant impact on the Regional Office of Education No. 38's financial statements as a result of adopting this statement.

The Regional Office of Education No. 38 is allowed to invest in securities as authorized by 30 ILCS-235/2 and 6 and 105 ILCS-5/8-7.

At June 30, 2007, the carrying amount and bank balance of the Regional Office of Education No. 38's Governmental Fund deposits was \$157,524 and \$168,988, respectively. The Agency Fund carrying amount and bank balance was \$1,712 and \$14,506 at June 30, 2007, respectively. Amount of deposits in excess of Federal Deposit Insurance Corporation (FDIC) coverage was \$54,348 at June 30, 2007. The deposits are categorized in accordance with risk factors created by governmental reporting standards.

The Regional Office of Education No. 38 does not have a policy regarding custodial credit risk for deposits.

b. Investments

The Regional Office of Education No. 38 does not have a formal investment policy. As of June 30, 2007, the Regional Office of Education No. 38 did not have investments.

4. Due to Other Government Agencies

The Regional Office of Education No. 38's Distributive Fund has funds due to other government agencies which consist of the following:

Accumulated Interest Payable	<u>\$ 1,712</u>
------------------------------	-----------------

The Regional Office of Education No. 38's Teacher Certificate and Indirect Cost Fund have funds due to other government agencies as follows:

Teacher Certificate	<u>\$ 112</u>
Indirect Cost Fund	<u>\$ 547</u>

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

NOTES TO FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

5. Due from Other Government Agencies

The Regional Office of Education No. 38's Operating and GED Funds have funds due from other government agencies which consisted of the following:

Due from other government agencies:

General Fund (Operating)	<u>\$ 5</u>
GED Fund	<u>\$ 180</u>

6. Capital Assets

In accordance with GASB Statement No. 34, the Regional Office of Education No. 38 has reported capital assets in the government-wide Statement of Net Assets. Purchases are reported as capital outlay in the governmental fund statements. The following table provides a summary of changes in capital assets for the year ended June 30, 2007:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net</u> <u>transfers</u>	<u>Balance</u> <u>June 30, 2007</u>
Governmental activities:					
<u>General Fund</u>	\$ 29,879	\$ -	\$ -	\$ -	\$ 29,879
ROE Operations					
<u>Education Fund</u>					
Truants Alternative/ Optional Education	<u>23,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,071</u>
<u>Governmental Funds</u>					
Total Assets	<u>\$ 52,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,950</u>

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

6. Capital assets (Continued)

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2007 of \$6,028 was charged to governmental activities. The following table provides a summary of changes in accumulated depreciation for the year ended June 30, 2007:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net</u> <u>transfers</u>	<u>Balance</u> <u>June 30, 2007</u>
Governmental activities:					
<u>General Fund</u>	\$ 18,594	\$ 3,656	\$ -	\$ -	\$ 22,250
ROE Operations					
<u>Education Fund</u>					
Truants Alternative/ Optional Education	<u>14,485</u>	<u>2,372</u>	<u>-</u>	<u>-</u>	<u>16,857</u>
Governmental funds total accumulated depreciation	<u>\$ 33,079</u>	<u>\$ 6,028</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,107</u>

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

6. Capital Assets (Continued)

Investment in capital assets is the component of net assets that reports capital assets net of accumulated depreciation. The following table provides a summary of changes in investment in capital assets for the year ended June 30, 2007:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net transfers</u>	<u>Balance June 30, 2007</u>
Governmental activities:					
<u>General Fund</u>	\$ 10,656	\$ (3,656)	\$ -	\$ -	\$ 7,000
ROE Operations					
<u>Education Fund</u>					
Truants Alternative/ Optional Education	9,215	(2,372)	-	-	6,843
Governmental funds investment in capital assets	<u>\$ 19,871</u>	<u>\$ (6,028)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,843</u>

7. Defined Benefit Pension Plan

Effective for the year ending June 30, 2005, the Regional Office of Education No. 38 adopted provisions related to pension transactions of Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit (OPEB) Expenditures/Expense and Liabilities by Cost-Sharing Employers* which clarifies pension and OPEB expenditure recognition requirements for cost-sharing employers. There was no significant impact on the Regional Office of Education No. 38's financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2006, the Regional Office of Education No. 38 adopted GASB Statement No. 47, *Accounting for Termination Benefits*, which establishes accounting and financial reporting standards for termination benefits. There was no significant impact on the Regional Office of Education No. 38's financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2007, the Regional Office of Education No. 38 adopted the provisions of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans*. This new standard establishes uniform financial reporting standards for other postemployment benefits. Adoption of GASB Statement No. 43 had no significant impact on the Regional Office of Education No. 38's financial statements.

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

7. Defined Benefit Pension Plan (Continued)

The Regional Office of Education No. 38's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF is an agent multiple-employer plan that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a financial report that includes financial statements and required supplementary information. The report may be obtained at http://www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The Regional Office of Education No. 38 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2006 was 6.90% of payroll. The Regional Office of Education No. 38's contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2006 was 5 years.

For December 31, 2006, the Regional Office of Education No. 38's annual pension cost of \$11,068 was equal to the Regional Office of Education No. 38's required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) project salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2006 actuarial valuation were based on the 2002-2004 experience study.

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

7. Defined Benefit Pension Plan (Continued)

Trend Information

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2006	\$ 11,068	100%	\$ -
12/31/2005	3,202	100%	-
12/31/2004	14,979	100%	-
12/31/2003	3,144	100%	-
12/31/2002	3,932	100%	-
12/31/2001	8,845	100%	-
12/31/2000	3,697	100%	-
12/31/1999	2,876	100%	-
12/31/1998	5,979	100%	-
12/31/1997	1,795	100%	-

8. Risk Management

The Regional Office of Education No. 38 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.

9. On Behalf Payments

The State of Illinois paid the following salaries on behalf of the Regional Office of Education No. 38:

Regional Superintendent	\$ 84,737
Regional Superintendent fringe benefits (including State paid insurance)	10,418
Assistant Regional Superintendent	76,263
Assistant Regional Superintendent fringe benefits (including State paid insurance)	<u>9,865</u>
Total	<u>\$ 181,283</u>

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2007

9. On Behalf Payments (Continued)

Salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education.

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

10. Transfers

The following is a summary of transfers in and out for the year ended June 30, 2007:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 430	\$ 430
Education Fund	25	25
Institute Fund		
Teacher Certificate	-	56
Investment Fund	<u>56</u>	<u>-</u>
Totals	<u>\$ 511</u>	<u>\$ 511</u>

**Required Supplementary Information
(Other than Management's Discussion and Analysis)**

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

ILLINOIS MUNICIPAL RETIREMENT FUND

JUNE 30, 2007

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
12/31/2006	\$ 571,126	\$ 576,750	\$ 5,624	99.02%	\$ 160,403	3.51%
12/31/2005	504,689	524,808	20,119	96.17%	160,104	12.57%
12/31/2004	494,579	470,046	(24,533)	105.22%	152,536	0.00%
12/31/2003	472,049	430,291	(41,758)	109.70%	105,432	0.00%
12/31/2002	445,952	441,715	(4,237)	100.96%	196,614	0.00%
12/30/2001	545,488	457,673	(87,815)	119.19%	227,369	0.00%
12/31/2000	495,281	397,498	(97,783)	124.60%	243,251	0.00%
12/31/1999	494,878	390,492	(104,386)	126.73%	193,076	0.00%
12/31/1998	403,043	345,799	(57,244)	116.55%	186,838	0.00%
12/31/1997	352,665	320,224	(32,441)	110.13%	186,955	0.00%

On a market value basis, the actuarial value of assets as of December 31, 2006 is \$620,514.

On a market basis, the funded ratio would be 107.59%.

*** Digest of changes**

The actuarial assumptions used to determine the actuarial accrued liability for 2006 are based on the 2002-2004 Experience Study. The principal changes were:

- The 1994 Group Annuity Mortality implemented.
- For Regular members, fewer normal and more early retirements are expected to occur.

SLEP Member contribution rate changed from 6.50% to 7.50% effective June 1, 2006.

Supplementary Information

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

COMBINING SCHEDULE OF ACCOUNTS

GENERAL FUND

JUNE 30, 2007

	Operating fund	Indirect cost fund	Operating/ Land Transfer Fund	Total
Assets:				
Cash	\$ 34,684	\$ 3,892	\$ 30	\$ 38,606
Due from other government agencies	5	-	-	5
Total assets	\$ 34,689	\$ 3,892	\$ 30	\$ 38,611
Liabilities and fund balance:				
Liabilities:				
Due to other government agencies	\$ -	\$ 547	\$ -	\$ 547
Total Liabilities	-	547	\$ -	\$ 547
Fund balance, unreserved and undesignated	\$ 34,689	\$ 3,345	\$ 30	\$ 38,064
Total liabilities and fund balance	\$ 34,689	\$ 3,892	\$ 30	\$ 38,611

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

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

GENERAL FUND ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2007

	Operating fund	Indirect cost fund	Operating/ Land Transfer Fund	Total
Revenue:				
Federal sources	\$ -	\$ -	\$ -	\$ -
Local sources	118,376	5,207	-	123,583
On-behalf payments - State	181,283	-	-	181,283
Total revenues	299,659	5,207	-	304,866
Expenditures:				
Current:				
Salaries	90,038	7,212	-	97,250
Employee benefits	7,721	-	-	7,721
Purchased services	12,555	70	-	12,625
Supplies and materials	3,350	-	-	3,350
Other objects	1,966	-	-	1,966
Administrative:				
On-behalf payments - State	181,283	-	-	181,283
Total expenditures	296,913	7,282	-	304,195
Excess/(deficiency) of revenues over/(under) expenditures	2,746	(2,075)	-	671
Other financing sources/(uses):				
Transfers in	-	430	-	430
Transfers out	(430)	-	-	(430)
Interest	61	-	-	61
Total other financing sources/(uses)	(369)	430	-	61
Net changes in fund balances	2,377	(1,645)	-	732
Fund balances - July 1, 2006	32,312	4,990	30	37,332
Fund balances - June 30, 2007	\$ 34,689	\$ 3,345	\$ 30	\$ 38,064

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38BUDGETARY COMPARISON SCHEDULEGENERAL FUND ACCOUNTS - OPERATING FUNDFOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted amounts</u>		<u>Actual amounts</u>
	<u>Original</u>	<u>Final</u>	
Revenue:			
Federal sources	\$ -	\$ -	\$ -
Local sources	142,021	142,021	118,376
On behalf payments - State	-	-	181,283
Total revenues	<u>142,021</u>	<u>142,021</u>	<u>299,659</u>
Expenditures:			
Current:			
Salaries	84,695	84,695	90,038
Employee benefits	15,652	15,652	7,721
Purchased services	13,800	13,800	12,555
Supplies and materials	5,550	5,550	3,350
Other objects	22,324	22,324	1,966
Administrative:			
On-behalf payments - State	-	-	181,283
Total expenditures	<u>142,021</u>	<u>142,021</u>	<u>296,913</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>-</u>	<u>-</u>	<u>2,746</u>
Other financing sources/(uses):			
Transfers in	-	-	-
Transfers out	-	-	(430)
Interest	-	-	61
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>(369)</u>
Net changes in fund balances	<u>-</u>	<u>-</u>	<u>2,377</u>
Fund balances - July 1, 2006	<u>-</u>	<u>-</u>	<u>32,312</u>
Fund balances - June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,689</u>

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

COMBINING SCHEDULE OF ACCOUNTS

EDUCATION FUND

JUNE 30, 2007

	Truants Alternative/ Optional Education	McKinney Education for Homeless Children	Total
Assets:			
Cash	\$ 2,210	\$ 321	\$ 2,531
Total assets	<u>\$ 2,210</u>	<u>\$ 321</u>	<u>\$ 2,531</u>
Liabilities and fund balance:			
Fund balance, unreserved	\$ 2,210	\$ 321	\$ 2,531
Total liabilities and fund balance	<u>\$ 2,210</u>	<u>\$ 321</u>	<u>\$ 2,531</u>

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCESEDUCATION FUND ACCOUNTSFOR THE YEAR ENDED JUNE 30, 2007

	Truants Alternative/ Optional Education	McKinney Education for Homeless Children	Total
Revenue:			
Federal sources	\$ -	\$ 12,300	\$ 12,300
State sources	80,869	-	80,869
Total revenues	<u>80,869</u>	<u>12,300</u>	<u>93,169</u>
Expenditures:			
Current:			
Salaries	67,048	9,796	76,844
Employee benefits	5,910	895	6,805
Purchased services	4,102	1,169	5,271
Supplies and materials	1,412	258	1,670
Other objects	1,195	-	1,195
Total expenditures	<u>79,667</u>	<u>12,118</u>	<u>91,785</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>1,202</u>	<u>182</u>	<u>1,384</u>
Other financing sources/(uses):			
Transfers in	-	25	25
Transfers out	(25)	-	(25)
Interest	16	-	16
Total other financing sources/(uses)	<u>(9)</u>	<u>25</u>	<u>16</u>
Net changes in fund balances	1,193	207	1,400
Fund balances - July 1, 2006	<u>1,017</u>	<u>114</u>	<u>1,131</u>
Fund balances - June 30, 2007	<u>\$ 2,210</u>	<u>\$ 321</u>	<u>\$ 2,531</u>

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

BUDGETARY COMPARISON SCHEDULE

EDUCATION FUND ACCOUNTS - TRUANTS ALTERNATIVE/OPTIONAL EDUCATION

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted amounts		Actual amounts
	Original	Final	
Revenue:			
State sources	\$ 81,014	\$ 81,014	\$ 80,869
Total revenues	81,014	81,014	80,869
Expenditures:			
Current:			
Salaries	62,100	62,100	67,048
Employee benefits	10,813	10,813	5,910
Purchased services	6,961	6,961	4,102
Supplies and materials	1,140	1,140	1,412
Other Objects	-	-	1,195
Total expenditures	81,014	81,014	79,667
Excess/(deficiency) of revenues over/(under) expenditures	-	-	1,202
Other financing sources/(uses):			
Transfers in	-	-	-
Transfers out	-	-	(25)
Interest	-	-	16
Total other financing sources/(uses)	-	-	(9)
Net changes in fund balances	-	-	1,193
Fund balances - July 1, 2006	-	-	1,017
Fund balances - June 30, 2007	\$ -	\$ -	\$ 2,210

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38BUDGETARY COMPARISON SCHEDULEEDUCATION FUND ACCOUNTS - MCKINNEY EDUCATION FOR HOMELESS CHILDRENFOR THE YEAR ENDED JUNE 30, 2007

	Budgeted amounts		Actual amounts
	Original	Final	
Revenue:			
Federal Sources	\$ 12,300	\$ 12,300	\$ 12,300
Total revenues	12,300	12,300	12,300
Expenditures:			
Current:			
Salaries	9,100	9,100	9,796
Employee benefits	1,600	1,600	895
Purchased services	1,200	1,200	1,169
Supplies and materials	400	400	258
Total expenditures	12,300	12,300	12,118
Excess/(deficiency) of revenues over/(under) expenditures	-	-	182
Other financing sources/(uses):			
Transfers in	-	-	25
Transfers out	-	-	-
Interest	-	-	-
Total other financing sources/(uses)	-	-	25
Net changes in fund balances	-	-	207
Fund balances - July 1, 2006	-	-	114
Fund balances - June 30, 2007	\$ -	\$ -	\$ 321

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

COMBINING SCHEDULE OF ACCOUNTS

INSTITUTE FUND

JUNE 30, 2007

	<u>Teacher Certificate</u>	<u>Investment Fund</u>	<u>Total</u>
Assets:			
Cash	\$ 42,653	\$ 27,316	\$ 69,969
Due from other government agencies	-	-	-
Total assets	<u>\$ 42,653</u>	<u>\$ 27,316</u>	<u>\$ 69,969</u>
Liabilities and fund balance:			
Due to other government agencies	<u>\$ 112</u>	<u>\$ -</u>	<u>\$ 112</u>
Total liabilities	<u>112</u>	<u>-</u>	<u>112</u>
Fund balance	<u>42,541</u>	<u>27,316</u>	<u>69,857</u>
Total liabilities and fund balance	<u>\$ 42,653</u>	<u>\$ 27,316</u>	<u>\$ 69,969</u>

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

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

INSTITUTE FUND ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2007

	Teacher Certificate	Investment Fund	Total
Revenue:			
Local sources	\$ 15,200	\$ -	\$ 15,200
Total revenues	<u>15,200</u>	<u>-</u>	<u>15,200</u>
Expenditures:			
Current:			
Purchased services	17,023	-	17,023
Supplies and materials	1,378	-	1,378
Other objects	82	-	82
Total expenditures	<u>18,483</u>	<u>-</u>	<u>18,483</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(3,283)</u>	<u>-</u>	<u>(3,283)</u>
Other financing sources/(uses):			
Transfers in	-	56	56
Transfers out	(56)	-	(56)
Interest	1,628	1,327	2,955
Total other financing sources/(uses)	<u>1,572</u>	<u>1,383</u>	<u>2,955</u>
Net changes in fund balances	(1,711)	1,383	(328)
Fund balances - July 1, 2006	<u>44,252</u>	<u>25,933</u>	<u>70,185</u>
Fund balances - June 30, 2007	<u>\$ 42,541</u>	<u>\$ 27,316</u>	<u>\$ 69,857</u>

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38COMBINING BALANCE SHEETNONMAJOR SPECIAL REVENUE FUNDSJUNE 30, 2007

	<u>Supervisory fund</u>	<u>Media materials fund</u>	<u>Bus driver fund</u>	<u>Substitute teacher fingerprinting</u>	<u>Total</u>
Assets:					
Cash	\$ 2,782	\$ 10,618	\$ 1,591	\$ 3,550	\$ 18,541
Total assets	<u>\$ 2,782</u>	<u>\$ 10,618</u>	<u>\$ 1,591</u>	<u>\$ 3,550</u>	<u>\$ 18,541</u>
Liabilities and fund balance:					
Fund balance, unreserved	\$ 2,782	\$ 10,618	\$ 1,591	\$ 3,550	\$ 18,541
Total liabilities and fund balance	<u>\$ 2,782</u>	<u>\$ 10,618</u>	<u>\$ 1,591</u>	<u>\$ 3,550</u>	<u>\$ 18,541</u>

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	Supervisory fund	Media materials fund	Bus driver fund	Substitute teacher fingerprinting	Total
Revenue:					
State sources	\$ 3,000	\$ -	\$ -	\$ -	\$ 3,000
Local sources	-	-	1,500	6,846	8,346
Total revenues	3,000	-	1,500	6,846	11,346
Expenditures:					
Purchased services	250	-	1,785	-	2,035
Supplies and materials	-	380	-	-	380
Other objects	3,510	-	-	4,615	8,125
Total expenditures	3,760	380	1,785	4,615	10,540
Excess/(deficiency) of revenues over/(under) expenditures	(760)	(380)	(285)	2,231	806
Other financing sources/(uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Interest	11	229	-	-	240
Total other financing sources/(uses)	11	229	-	-	240
Net changes in fund balances	(749)	(151)	(285)	2,231	1,046
Fund balances - July 1, 2006	3,531	10,769	1,876	1,319	17,495
Fund balances - June 30, 2007	\$ 2,782	\$ 10,618	\$ 1,591	\$ 3,550	\$ 18,541

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

AGENCY FUNDS

JUNE 30, 2007

	<u>Distributive fund</u>	<u>Total</u>
Assets:		
Cash	\$ 1,712	\$ 1,712
Total assets	<u>\$ 1,712</u>	<u>\$ 1,712</u>
Liabilities:		
Due to other government agencies	\$ 1,712	\$ 1,712
Total liabilities	<u>\$ 1,712</u>	<u>\$ 1,712</u>

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIESAGENCY FUNDSFOR THE YEAR ENDED JUNE 30, 2007

	<u>Balance</u> <u>7/1/2006</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balance</u> <u>6/30/2007</u>
Distributive fund:							
Assets:							
Cash	\$ 1,565	\$	709,725	\$	709,578	\$	1,712
Total assets	\$ 1,565	\$	709,725	\$	709,578	\$	1,712
Liabilities:							
Due to other government agencies	\$ 1,565	\$	709,725	\$	709,578	\$	1,712
Total liabilities	\$ 1,565	\$	709,725	\$	709,578	\$	1,712
Total all agency funds:							
Assets:							
Cash	\$ 1,565	\$	709,725	\$	709,578	\$	1,712
Total assets	\$ 1,565	\$	709,725	\$	709,578	\$	1,712
Liabilities:							
Due to other government agencies	\$ 1,565	\$	709,725	\$	709,578	\$	1,712
Total liabilities	\$ 1,565	\$	709,725	\$	709,578	\$	1,712

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS
AND OTHERSDISTRIBUTIVE FUNDFOR THE YEAR ENDED JUNE 30, 2007

	Regional Superintendent of Schools	Regional Vocational Delivery System	Salt Creek Academy	Illini Central School District	Total
General State Aid	\$ -	\$ -	\$ 157,140	\$ -	\$ 157,140
Rural Education Achievement Program (REAP)	-	-	19,564	-	19,564
Perkins III Grant	-	65,428	-	-	65,428
Agriculture Education Incentive Funding Grant	-	25,372	-	-	25,372
Career and Technical Expenses	-	249,166	-	-	249,166
Truants Alternative/Optional Education	80,869	-	-	-	80,869
Regional Safe Schools and Regional Safe Schools Aid	-	-	108,439	-	108,439
Supervisory	-	-	-	3,000	3,000
Bus Driver	-	-	-	600	600
Totals	\$ 80,869	\$ 339,966	\$ 285,143	\$ 3,600	\$ 709,578