

State of Illinois
REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI,
AND UNION COUNTIES
FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
FOR THE YEAR ENDED JUNE 30, 2012

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

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

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

For the Year Ended June 30, 2012

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ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

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For the Year Ended June 30, 2012

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

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

For the Year Ended June 30, 2012

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

AGENCY OFFICIALS

For the Year Ended June 30, 2012

Regional Superintendent
(Current and During the Audit Period)

Ms. Janet Ulrich

Assistant Regional Superintendent
(Current and During the Audit Period)

Ms. Terri Parmly

Office is located at:

17 Rustic Campus Drive
Ullin, Illinois 62992

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

COMPLIANCE REPORT SUMMARY

For the Year Ended June 30, 2012

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

AUDITORS' REPORT

The auditors' reports on compliance and internal controls do not contain scope limitations, disclaimers or other significant non-standard language.

SUMMARY OF AUDIT FINDINGS

Number of	This Audit	Prior Audit
Audit findings	1	5
Repeated audit findings	1	3
Prior recommendations implemented or not repeated	4	1

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

An additional matter which is less than a significant deficiency or material weakness, but more than inconsequential, has been reported in a Management Letter of Comments to the Regional Superintendent. In prior years, this matter may have been included as an immaterial finding in the auditors' reports.

SUMMARY OF FINDINGS AND QUESTIONED COSTS

Item No.	Page	Description	Finding Type
<i>FINDINGS (GOVERNMENT AUDITING STANDARDS)</i>			
12-01	11	Controls Over Financial Statement Preparation	Significant Deficiency
<i>FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)</i>			
None			
<i>PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)</i>			
11-02	15	Inadequate Monitoring of Collateral on Deposits	Material Weakness and Noncompliance
<i>PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE AND GOVERNMENT AUDITING STANDARDS)</i>			
11-03	15	Noncompliance with Requirements over Documentation of Employee Time and Effort	Material Weakness and Noncompliance
11-04	15	Inadequate Monitoring of Subrecipients	Significant Deficiency and Noncompliance
11-05	15	Interest Earned on Federal Grant Funds	Significant Deficiency and Noncompliance

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Regional Office of Education #2 management during various informal meetings. The Regional Office of Education #2 declined to have a formal exit conference. Responses to the recommendations were provided by Kris Fasnacht, Fiscal Manager, in an email dated March 25, 2013.

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

FINANCIAL STATEMENT REPORT SUMMARY

For the Year Ended June 30, 2012

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

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

DOEHRING, WINDERS & CO. LLP
*Certified Public Accountants
& Business Advisers*
1601 LAFAYETTE AVENUE
MATTOON, ILLINOIS 61988

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2, as of and for the year ended June 30, 2012, which collectively comprise the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2'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, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows 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 March 27, 2013 on our consideration of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 17 through 25 and 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management

about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities, and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

Doehring, Winters & Co. L.L.P.

March 27, 2013

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

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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2, as of and for the year ended June 30, 2012, which collectively comprise the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's basic financial statements and have issued our report thereon dated March 27, 2013. 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

Management of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in finding 12-01 in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted a certain matter which we have reported to management of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2 in a separate letter dated March 27, 2013.

Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's response and, accordingly, we express no opinion on the response.

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 entity, 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.

Doehring, Windsor & Co. LLP

March 27, 2013

DOEHRING, WINDERS & CO. LLP
*Certified Public Accountants
& Business Advisers*
1601 LAFAYETTE AVENUE
MATTOON, ILLINOIS 61988

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's major federal program for the year ended June 30, 2012. The Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the major federal program is the responsibility of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's management. Our responsibility is to express an opinion on the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's compliance with those requirements.

In our opinion, the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 entity, 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.

Doehring, Winters & Co. LLP

March 27, 2013

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over the major program:

- Material weakness identified? No
- Significant deficiency identified? No

Type of auditor's report issued on compliance for the major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)? No

Identification of **major** programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010A	System of Support Title I - School Improvement and Accountability (Title I Grants to Local Educational Agencies)

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? No

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS

For the Year Ended June 30, 2012

12-01 Controls Over Financial Statement Preparation (Partial repeat of Finding 11-01, 10-01, 09-02, 08-02 and 07-05)

Criteria/specific requirement

The Regional Office of Education #2 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 #2 does not have sufficient internal controls over the financial reporting process. 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 have adequate controls over the maintenance of complete records of accounts receivable and deferred revenue. While the Regional Office did maintain records to indicate the balances of accounts receivable and deferred revenue, most, but not all entries were made by the Regional Office to record accounts receivable and deferred revenue.
- The Regional Office's financial information required some significant adjusting entries to present the financial statements in accordance with generally accepted accounting principles.

For fiscal year 2012, the Regional Office of Education #2 contracted with a CPA to aid in the preparation of GAAP adjusting entries and preparation of the financial statements. Auditors noted significant improvement in the accuracy and completeness of the financial statements as compared to fiscal year 2011.

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, the conditions noted above were due to inadvertent oversight.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS

For the Year Ended June 30, 2012

12-01 Controls Over Financial Statement Preparation (Partial repeat of Finding 11-01, 10-01, 09-02, 08-02 and 07-05) (continued)

Recommendation:

As part of internal control over the preparation of financial statements, including disclosures, the Regional Office of Education #2 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 #2 agrees with the finding. The Regional Office of Education #2 has hired a CPA to review its books and prepare its financial statements. This CPA has worked with the auditors for the FY12 audit and now understands more fully what is needed of him to meet this requirement. Due to limited funding for the office, a full-time CPA is not an option.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION III - FEDERAL AWARD FINDINGS

For the Year Ended June 30, 2012

None reported for the year ended June 30, 2012.

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

CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS

For the Year Ended June 30, 2012

Corrective Action Plan

12-01 Controls Over Financial Statement Preparation (Partial repeat of Finding 11-01, 10-01, 09-02, 08-02 and 07-05)

Condition:

The Regional Office of Education #2 does not have sufficient internal controls over the financial reporting process. 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 have adequate controls over the maintenance of complete records of accounts receivable and deferred revenue. While the Regional Office did maintain records to indicate the balances of accounts receivable and deferred revenue, most, but not all entries were made by the Regional Office to record accounts receivable and deferred revenue.
- The Regional Office's financial information required some significant adjusting entries to present the financial statements in accordance with generally accepted accounting principles.

Plan:

The Regional Office of Education #2 has hired a CPA to review its books and prepare its financial statements. This CPA has worked with the auditors for the FY12 audit and now understands more fully what is needed of him to meet this requirement. Due to limited funding for the office, a full-time CPA is not an option.

Anticipated Date of Completion:

Immediately upon learning of oversight.

Name of Contact Person:

Janet Ulrich, Regional Superintendent of Schools

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2012

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
11-01	Controls Over Financial Statement Preparation	12-01
11-02	Inadequate Monitoring of Collateral on Deposits	Not repeated
11-03	Noncompliance with Requirements over Documentation of Employee Time and Effort	Not repeated
11-04	Inadequate Monitoring of Subrecipients	Not repeated
11-05	Interest Earned on Federal Grant Funds	Not repeated

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

Regional Office of Education #2 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the Regional Office of Education #2's financial statements, which follow.

2012 Financial Highlights

- General fund revenues increased from \$810,917 in fiscal year 2011 (FY11) to \$811,698 in fiscal year 2012 (FY12), and General fund expenditures increased from \$459,066 in FY11 to \$510,691 in FY12. This resulted in an increase in the Regional Office of Education #2's General fund balance from \$2,479,370 in FY11 to \$2,798,964 in FY12.
- Decreased funding amounts in grants with no reduction in expectation of services to be provided has caused the Regional Office of Education #2 to use general funds to pay additional expenses.
- Education fund revenues decreased from \$1,702,138 in FY11 to \$1,409,600 in FY12, and Education fund expenditures decreased from \$1,750,998 in FY11 to \$1,440,751 in FY12. This resulted in a decrease in the Education fund balance from (\$56,039) in FY11 to (\$86,915) in FY12.
- The decrease in Education fund revenues and expenditures was due primarily to the reduction in the amount of grant funds.

Using This Report

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

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

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

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

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

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

Governmental Fund Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

Governmental Fund Financial Statements (continued)

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The Regional Office of Education #2's net assets at the end of FY12 totaled approximately \$3.0 million. This compared to approximately \$2.7 million at the end of FY11. The analysis that follows provides a summary of the Regional Office of Education #2's net assets at June 30, 2012 and 2011 for the governmental and business-type activities.

**Condensed Statement of Net Assets
Governmental Activities**

	2012	2011	Increase/ (Decrease)
Current assets	\$ 3,110,610	\$ 2,823,892	\$ 286,718
Capital assets, being depreciated, net	113,202	134,038	(20,836)
Total assets	3,223,812	2,957,930	265,882
Current liabilities	156,088	196,426	(40,338)
Noncurrent liabilities	49,537	12,547	36,990
Total liabilities	205,625	208,973	(3,348)
Net assets:			
Invested in capital assets, net of related debt	113,202	134,038	(20,836)
Restricted for educational purposes	64,078	99,985	(35,907)
Unrestricted	2,840,907	2,514,934	325,973
Total net assets	\$ 3,018,187	\$ 2,748,957	\$ 269,230

The Regional Office of Education #2's combined governmental net assets increased by \$269,230 from FY11. In addition, net assets for educational purposes are considered restricted.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

Condensed Statement of Net Assets
Business-Type Activities

	<u>2012</u>	<u>2011</u>	<u>Increase/ (Decrease)</u>
Current assets	\$ (2,246)	\$ 34,693	\$ (36,939)
Capital assets, being depreciated, net	<u>1,534</u>	<u>1,917</u>	<u>(383)</u>
Total assets	<u>(712)</u>	<u>36,610</u>	<u>(37,322)</u>
Current liabilities	30	1,268	(1,238)
Noncurrent liabilities	<u>4,817</u>	<u>-</u>	<u>4,817</u>
Total liabilities	<u>4,847</u>	<u>1,268</u>	<u>3,579</u>
Net assets:			
Invested in capital assets, net of related debt	1,534	1,917	(383)
Unrestricted	<u>(7,093)</u>	<u>33,425</u>	<u>(40,518)</u>
Total net assets	<u>\$ (5,559)</u>	<u>\$ 35,342</u>	<u>\$ (40,901)</u>

The Regional Office of Education #2's combined business-type net assets decreased by \$40,901 from FY11. The Regional Office of Education #2 uses its business-type net assets to provide workshops and training services to school districts in the Region. Due to reductions in grant funding and changes in the types of allowable grant expenditures, the Regional Office of Education #2 had to pay salaries and other purchased services from the business-type activities during FY12 that normally would have been expensed from grant funds which resulted in a significant decrease in net assets during FY12.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

Government-Wide Financial Analysis (continued)

The following analysis shows the changes in net assets for governmental and business-type activities for the years ended June 30, 2012 and June 30, 2011.

Statement of Activities
Governmental Activities

	<u>2012</u>	<u>2011</u>	<u>Increase/ (Decrease)</u>
Revenues:			
Program revenues:			
Operating grants and contributions	\$ 1,403,332	\$ 1,705,488	\$ (302,156)
Charges for services	24,758	17,930	6,828
General revenues			
Local sources	166,451	149,579	16,872
State sources	365,057	391,494	(26,437)
On-behalf payment	317,197	288,735	28,462
Investment earnings	18,877	32,830	(13,953)
Total revenues	<u>2,295,672</u>	<u>2,586,056</u>	<u>(290,384)</u>
Expenses:			
Program expenses:			
Instructional services			
Salaries and benefits	875,497	942,165	(66,668)
Purchased services	267,895	384,945	(117,050)
Supplies and materials	129,145	141,394	(12,249)
Depreciation expense	29,594	30,281	(687)
Payments to other governments	408,309	441,234	(32,925)
Administrative expenses:			
On-behalf payments - state	317,197	288,735	28,462
Total expenses	<u>2,027,637</u>	<u>2,228,754</u>	<u>(201,117)</u>
Change in net assets	268,035	357,302	(89,267)
Net assets - beginning	<u>2,750,152</u>	<u>2,391,655</u>	<u>358,497</u>
Net assets - ending	<u>\$ 3,018,187</u>	<u>\$ 2,748,957</u>	<u>\$ 269,230</u>

Revenues for governmental activities were \$2,295,672 and expenses were \$2,027,637. The decreases in total revenues and total expenses are due to several factors including grants that were reduced or no longer funded in FY12 and counties not making requested payments.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

Government-Wide Financial Analysis (continued)

Statement of Activities
Business-Type Activities

	<u>2012</u>	<u>2011</u>	<u>Increase/ (Decrease)</u>
Revenues:			
Program revenues:			
Charges for services	\$ 21,152	\$ 8,350	\$ 12,802
General revenues			
Investment earnings	47	98	(51)
Total revenues	<u>21,199</u>	<u>8,448</u>	<u>12,751</u>
Expenses:			
Salaries and benefits	48,825	5,456	43,369
Purchased services	15,170	6,726	8,444
Supplies and materials	3,278	2,485	793
Depreciation expense	383	721	(338)
Total expenses	<u>67,656</u>	<u>15,388</u>	<u>52,268</u>
Change in net assets	(46,457)	(6,940)	(39,517)
Net assets - beginning	<u>40,898</u>	<u>42,282</u>	<u>(1,384)</u>
Net assets - ending	<u>\$ (5,559)</u>	<u>\$ 35,342</u>	<u>\$ (40,901)</u>

Revenues for the business-type activities were \$21,199 and expenses were \$67,656. Revenues in this fund increased during FY12 due to an increase in fees that were collected from workshop participants that in previous fiscal years would have been paid for through grant funding. See page 20, Condensed Statement of Net Assets - Business-Type Activities, for an explanation of the increase in expenditures and decrease in total net assets.

Financial Analysis of the Regional Office of Education #2 Funds

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

Governmental Fund Highlights:

- The Regional Office of Education #2's governmental funds reported combined fund balances of \$2,725,315 compared with FY11's ending fund balances of \$2,428,998. Of this, general fund balance of \$2,798,964 increased from FY11's ending fund balance of \$2,479,370, education fund balance of (\$86,915) decreased from FY11's ending fund balance of (\$56,039), and other non-major governmental fund balance of \$13,266 increased from FY11's ending fund balance of \$5,667. The primary reason for the increase in combined fund balances in FY12 was due to reduced expenditures to keep within budgets.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

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

Governmental Fund Highlights: (continued)

- Another reason for the significant change was the reduction in staff. Through attrition, some staff members left the Regional Office of Education #2 and were not replaced or were replaced by staff members at lower salaries.
- The increase in the Regional Office of Education #2's General Fund fund balance was less in FY12 compared to FY11 due to increased expenditures for salaries and benefits, supplies and materials, and capital outlay.

Business-Type Fund Highlights:

- The Regional Office of Education #2's business-type fund reported combined net assets of (\$5,559) compared with FY11's ending net assets of \$35,342. The primary reason for the decrease in net assets in FY12 was due to an increase in expenses paid from this fund that in prior fiscal years were paid from grant funds that were reduced for FY12.

Fiduciary Fund Type:

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

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

Measurement Focus:

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

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

Budgetary Highlights:

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

Capital Assets

The Regional Office of Education #2 does own buildings and equipment. Items purchased costing over \$500 are listed on the Regional Office of Education #2's inventory. At June 30, 2012 the Regional Office of Education #2 had an investment in capital assets of \$114,736 which is the original cost of the assets less the accumulated depreciation. See Note 8 to the financial statements for further information on capital assets.

Economic Factors and Next Year's Budget

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

- Funding for existing programs comes in part from the State through funding such as General State Aid. Reduced funding, and in some cases the expectation of no funding, have and will continue to reduce the revenue to support these programs.
- Funding for existing programs comes in part from grant funds. Due to the reduction in the number of grants available, the reduction in the awarded amount of the grants available, and the State's inability to make payments in a timely manner, projecting revenues cannot be done accurately.
- Legislation has been passed to which the number of Regional Offices of Education in the State of Illinois is to be reduced which is expected to lead to the merger of Regional Office of Education #2 into another office. The expected date of the merger will be July 1, 2015. See 105 ILCS 5/3A-4 (Mandatory Consolidation of Educational Service Regions).

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

Additional Information

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

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

The management team reviews all programs from short-term to long-term concerning the financial aspects of the Regional Office of Education #2. This includes reviewing projected funds and/or amending the various programs in order to ensure adequate and proper funding. Most financial receipts are ultimately received by the Regional Office of Education #2 to maintain programs. These funds are often late by several months which results in interfund loans or transfers to stay financially viable. Generally speaking, the funds are received by the end of the year, but few are received as indicated in the grant programs. Improved financial planning could occur if the State gave general guidelines from one year to the next. For example, if the Regional Office of Education #2 was told a particular program will receive at least 85 percent of last year's budget; this would enable the Regional Office of Education #2 to plan more effectively.

Contacting the Regional Office's Financial Management

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

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS

June 30, 2012

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Current Assets:			
Cash and cash equivalents	\$ 1,600,231	\$ -	\$ 1,600,231
Investments	952,816	-	952,816
Interfund due to/from	7,711	(7,711)	-
Due from other governments:			
Local	119,154	5,465	124,619
State	430,698	-	430,698
Total Current Assets	<u>3,110,610</u>	<u>(2,246)</u>	<u>3,108,364</u>
Noncurrent Assets:			
Capital assets, net of depreciation	<u>113,202</u>	<u>1,534</u>	<u>114,736</u>
Total Noncurrent Assets	<u>113,202</u>	<u>1,534</u>	<u>114,736</u>
Total Assets	<u>3,223,812</u>	<u>(712)</u>	<u>3,223,100</u>
Liabilities			
Current Liabilities:			
Accounts payable	20,667	30	20,697
Due to other governments:			
Local	109,367	-	109,367
Deferred revenue	26,054	-	26,054
Total Current Liabilities	<u>156,088</u>	<u>30</u>	<u>156,118</u>
Noncurrent Liabilities:			
IMRF net pension obligation	38,216	4,817	43,033
Liability for compensated absences	11,321	-	11,321
Total Noncurrent Liabilities	<u>49,537</u>	<u>4,817</u>	<u>54,354</u>
Total Liabilities	<u>205,625</u>	<u>4,847</u>	<u>210,472</u>
Net Assets			
Invested in capital assets, net of related debt	113,202	1,534	114,736
Restricted for educational purposes	64,078	-	64,078
Unrestricted	2,840,907	(7,093)	2,833,814
Total Net Assets	<u>\$ 3,018,187</u>	<u>\$ (5,559)</u>	<u>\$ 3,012,628</u>

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
Instructional Services:							
Salaries and benefits	\$ 875,497	\$ 4,618	\$ 758,174	\$ -	\$ (112,705)	\$ -	\$ (112,705)
Purchased services	267,895	15,207	158,335	-	(94,353)	-	(94,353)
Supplies and materials	129,145	4,933	67,549	-	(56,663)	-	(56,663)
Payments to other governments	408,309	-	390,144	-	(18,165)	-	(18,165)
Depreciation	29,594	-	29,130	-	(464)	-	(464)
Administrative:							
On-behalf payments - state	317,197	-	-	-	(317,197)	-	(317,197)
Total governmental activities	<u>2,027,637</u>	<u>24,758</u>	<u>1,403,332</u>	<u>-</u>	<u>(599,547)</u>	<u>-</u>	<u>(599,547)</u>
Business-type activities							
Registration fees	67,273	21,152	-	-	-	(46,121)	(46,121)
Depreciation	383	-	-	-	-	(383)	(383)
Total business-type activities	<u>67,656</u>	<u>21,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,504)</u>	<u>(46,504)</u>
Total primary government	<u>\$ 2,095,293</u>	<u>\$ 45,910</u>	<u>\$ 1,403,332</u>	<u>\$ -</u>	<u>(599,547)</u>	<u>(46,504)</u>	<u>(646,051)</u>
General Revenues:							
Local sources					166,451	-	166,451
State sources					365,057	-	365,057
On-behalf payments					317,197	-	317,197
Investment earnings					18,877	47	18,924
Total general revenues					<u>867,582</u>	<u>47</u>	<u>867,629</u>
Change in net assets					268,035	(46,457)	221,578
Net assets - beginning (Restated - See note 17)					<u>2,750,152</u>	<u>40,898</u>	<u>2,791,050</u>
Net assets - ending					<u>\$ 3,018,187</u>	<u>\$ (5,559)</u>	<u>\$ 3,012,628</u>

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

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

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2012

	General Fund	Education Fund	Other Non-Major Funds	Eliminations	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 1,545,995	\$ 38,692	\$ 15,544	\$ -	\$ 1,600,231
Investments	902,816	50,000	-	-	952,816
Due from other funds	557,092	-	-	(549,381)	7,711
Due from other governments					
Local	104,268	12,494	2,392	-	119,154
State	-	430,698	-	-	430,698
Total assets	<u>\$ 3,110,171</u>	<u>\$ 531,884</u>	<u>\$ 17,936</u>	<u>\$ (549,381)</u>	<u>\$ 3,110,610</u>
Liabilities and fund balance (deficit):					
Liabilities:					
Accounts payable	\$ 9,913	\$ 10,388	\$ 366	\$ -	\$ 20,667
Due to other governments					
Local	-	109,367	-	-	109,367
Due to other funds	208,479	336,598	4,304	(549,381)	-
Deferred revenue	92,815	162,446	-	-	255,261
Total liabilities	<u>311,207</u>	<u>618,799</u>	<u>4,670</u>	<u>(549,381)</u>	<u>385,295</u>
Fund balance (deficit):					
Restricted for educational purposes	-	50,812	17,216	-	68,028
Assigned	2,657,169	-	-	-	2,657,169
Unassigned, reported in:					
Special revenue funds	-	(137,727)	(3,950)	-	(141,677)
General fund	141,795	-	-	-	141,795
Total fund balance (deficit)	<u>2,798,964</u>	<u>(86,915)</u>	<u>13,266</u>	<u>-</u>	<u>2,725,315</u>
Total liabilities and fund balance (deficit)	<u>\$ 3,110,171</u>	<u>\$ 531,884</u>	<u>\$ 17,936</u>	<u>\$ (549,381)</u>	<u>\$ 3,110,610</u>

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

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

June 30, 2012

Total Fund balances - governmental funds		\$ 2,725,315
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
Some revenues will not be collected for several months after the Regional Office fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.		229,207
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		113,202
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Liability for compensated absences	\$ (11,321)	
IMRF net pension obligation	<u>(38,216)</u>	<u>(49,537)</u>
Net assets of governmental activities		<u><u>\$ 3,018,187</u></u>

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

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

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

For the Year Ended June 30, 2012

	General Fund	Education Fund	Other Nonmajor Funds	Eliminations	Total Governmental Funds
Revenues:					
Local sources	\$ 103,904	\$ 21,941	\$ 23,198	\$ -	\$ 149,043
State sources	365,057	640,192	1,560	-	1,006,809
State sources- payments made on behalf of region	317,197	-	-	-	317,197
Federal sources	25,540	747,467	-	-	773,007
Total revenues	<u>811,698</u>	<u>1,409,600</u>	<u>24,758</u>	<u>-</u>	<u>2,246,056</u>
Expenditures:					
Instructional services					
Salaries and benefits	41,605	793,476	3,426	-	838,507
Purchased services	90,905	165,707	11,283	-	267,895
Supplies and materials	54,791	70,694	3,660	-	129,145
Payments to other governments	-	408,309	-	-	408,309
Payments made on behalf of region	317,197	-	-	-	317,197
Capital Outlay	6,193	2,565	-	-	8,758
Total expenditures	<u>510,691</u>	<u>1,440,751</u>	<u>18,369</u>	<u>-</u>	<u>1,969,811</u>
Excess (deficiency) of revenues over (under) expenditures	<u>301,007</u>	<u>(31,151)</u>	<u>6,389</u>	<u>-</u>	<u>276,245</u>
Other financing sources:					
Interest	18,587	275	15	-	18,877
Total other financing sources	<u>18,587</u>	<u>275</u>	<u>15</u>	<u>-</u>	<u>18,877</u>
Net change in fund balances	319,594	(30,876)	6,404	-	295,122
Fund balances (deficit) - beginning (Restated - See note 17)	2,479,370	(56,039)	6,862	-	2,430,193
Fund balances (deficit) - ending	<u>\$ 2,798,964</u>	<u>\$ (86,915)</u>	<u>\$ 13,266</u>	<u>\$ -</u>	<u>\$ 2,725,315</u>

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

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

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

For the Year Ended June 30, 2012

Net change in fund balances		\$ 295,122
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Some revenues will not be collected for several months after the Regional Office fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.</p>		
Reported in the funds - current year	\$ 229,207	
Reported in the funds - prior year	<u>(198,468)</u>	30,739
<p>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.</p>		
Capital outlay	\$ 8,758	
Depreciation	<u>(29,594)</u>	(20,836)
<p>Certain expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Compensated absences expense	\$ 1,226	
IMRF net pension expense	<u>(38,216)</u>	<u>(36,990)</u>
Change in net assets of governmental activities		<u><u>\$ 268,035</u></u>

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

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND

JUNE 30, 2012

	Business-Type Activities- Enterprise Funds
	Workshops Fund
Assets:	
Current assets:	
Due from other governments	\$ 5,465
Total current assets	5,465
Noncurrent assets:	
Capital assets, being depreciated, net	1,534
Total noncurrent assets	1,534
Total assets	\$ 6,999
Liabilities:	
Current Liabilities:	
Accounts payable	\$ 30
Due to other funds	7,711
Total current liabilities	7,741
Noncurrent Liabilities:	
IMRF net pension obligation	4,817
Total liabilities	12,558
Net assets	
Invested in capital assets, net of related debt	1,534
Unrestricted	(7,093)
Total net assets	\$ (5,559)

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

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

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

For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds
	Workshops Fund
Operating revenues:	
Local sources	\$ 21,152
Total operating revenues	21,152
Operating expenses:	
Salaries and benefits	48,825
Purchased services	15,170
Supplies and materials	3,278
Depreciation	383
Total operating expenses	67,656
Operating (loss)	(46,504)
Nonoperating revenues:	
Interest income	47
Total nonoperating revenue	47
Change in net assets	(46,457)
Total net assets - beginning (Restated - See note 17)	40,898
Total net assets - ending	\$ (5,559)

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

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2012

	Business-Type Activities- Enterprise Funds
	Workshops Fund
Cash flows from operating activities:	
Workshop receipts	\$ 21,243
Payments to employees	(44,008)
Payments to suppliers and providers of goods and services	(19,686)
	(42,451)
Cash flows from investing activities:	
Interest received on investments	47
	47
Cash flows from noncapital financing activities:	
Proceeds from interfund loan	7,711
	7,711
Net (decrease) in cash and cash equivalents	(34,693)
Cash and cash equivalents - beginning	34,693
Cash and cash equivalents - ending	\$ -
Reconciliation of operating (loss) to net cash provided by (used for) operating activities:	
Operating (loss)	\$ (46,504)
Adjustments to reconcile operating (loss) to net cash provided by (used for) operating activities:	
Depreciation	383
Change in assets and liabilities:	
Decrease in due from other governments	91
(Decrease) in accounts payable	(1,238)
Increase in IMRF net pension obligation	4,817
	4,817
Net cash (used for) operating activities	\$ (42,451)

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

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

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 327,290
Due from other governments	<u>6,232,540</u>
Total Assets	<u>\$ 6,559,830</u>
Liabilities	
Due to other governments	<u>\$ 6,559,830</u>
Total Liabilities	<u>\$ 6,559,830</u>

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

FINANCIAL REPORTING ENTITY

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

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

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

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

For the period ended June 30, 2012, the Regional Office of Education #2 applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in Regional Office of Education #2. Such activities are reported as a single major special revenue fund (Education Fund).

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SCOPE OF THE REPORTING ENTITY

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

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

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

NEW ACCOUNTING PRONOUNCEMENTS

In 2012, the Regional Office of Education #2 implemented Governmental Accounting Standards Board (GASB) Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*; and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions- an amendment of GASB Statement No. 53*. The Regional Office of Education #2 implemented these standards during the current year; however, GASB Statement No. 64 had no impact on the financial statements. The implementation of GASB Statement No. 57 amends GASB Statement No. 45, permitting an agent employer with an OPEB plan with fewer than 100 plan members to use the alternative measurement method to produce actuarially based information for purposes of financial reporting.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, such as, payables, receivables and transfers. Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the governmental fund Balance Sheet and proprietary fund Statement of Net Assets and as other sources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and the proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Assets. All interfund transactions between governmental funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and business-type funds remain as due to/due from on the government-wide financial statements. The purpose of interfund borrowing and permanent transfers is to cover temporary or permanent shortfalls in cash flow within grant programs and funds.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

PROPRIETARY FUND FINANCIAL STATEMENTS

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for the proprietary fund.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPRIETARY FUND FINANCIAL STATEMENTS (Continued)

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

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND ACCOUNTING

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the Regional Office of Education #2 are typically reported. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets 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 Statement No. 34, governmental fund reporting focuses on the major funds, rather than on the fund type. There is a two-step process for determining if a fund should be reported as a major fund: 1) total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for the fund type, and 2) total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and proprietary funds combined. Funds that do not meet the major fund determination requirements are reported in aggregate as nonmajor funds. The Regional Office of Education #2 has presented all major funds that met the above qualifications.

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

General Fund - The General Fund is the general operating fund of the Regional Office of Education #2. It is used to account for all financial resources in the region except those required to be accounted for and reported in another fund. General funds include the following:

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

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

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

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

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

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

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

Vocational Flow-Through - This fund accounts for State funding received for vocational education programs.

Area 6 South Tech Hub - This fund provides support for technology services for the Regional Office of Education #2 and the school districts in its region.

Flexible Funding for Wraparound Plans - This fund provides services to at-risk clients from funds received from the Department of Children and Family Services.

Grow Your Own FOCUS Grant - This fund accounts for receipts and expenses pertaining to the Grow Your Own Teachers program.

ARRA Education Jobs Fund - Provides assistance to States to save or create education jobs for the 2010-2011 school year. Additional funds were awarded to the Regional Office of Education #2 for the 2011-2012 school year from the supplemental ARRA Education Jobs Fund program.

Gifted Education - The purpose of this grant is to provide services, including professional development to teachers, to gifted students.

Kids in School (DHS) - This fund provides head lice shampoo and supplies to families who can't afford them in order to get their children back into school.

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

Mentoring New Principals - This fund provides mentoring services for new principals.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

Miscellaneous Grant Funds - This fund accounts for the revenue and expenditures of various federal, State, and local grant funds. For fiscal year 2012 revenues and expenditures related to the IASA Job Bank were reported in this fund.

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

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

PROPRIETARY FUND

Proprietary funds are those in which revenues and expenses related to services provided to organizations inside the Regional Office of Education #2 on a cost reimbursement basis are reported.

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

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

FIDUCIARY FUND

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

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

GOVERNMENTAL FUND BALANCES

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

Nonspendable Fund Balance - the portion of a Governmental Fund's net assets that are not available to be spent, either short term or long term, in either form or through legal restrictions. There were no accounts presenting a nonspendable fund balance.

Restricted Fund Balance - the portion of a Governmental Fund's net assets that are subject to external enforceable legal restrictions. The following accounts fund balances are restricted by grant agreements or contracts: Adult Education - General Revenue, Mentoring New Principals, and Service Fund. The following funds are restricted by Illinois Statute: Institute and General Education Development.

Committed Fund Balance - the portion of a Governmental Fund's net assets with self-imposed constraints or limitations that have been placed at the highest level of decision making. There are no accounts presenting a committed fund balance.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUND BALANCES (Continued)

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

Unassigned Fund Balance - available expendable financial resources in a governmental fund that are not designated for a specific purpose. The unassigned fund balance is in the Director's Fund which is part of the General Fund. Special revenue funds that present a deficit balance have also been reported as unassigned. Adult Education - Performance, Adult Education - Public Assistance, Adult Education - Adult State 3-1, McKinney Education for Homeless Children, System of Support Title I - School Improvement and Accountability, Title I - Migrant Education, Title I - Migrant Incentive Grant, and Bus Driver Permit.

NET ASSETS

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

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

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

Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets."

CASH AND CASH EQUIVALENTS

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

INVENTORY

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITAL ASSETS

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

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

INTERFUND RECEIVABLES AND PAYABLES

The recordings of due from and due to other funds are a result of various borrowings between funds during the year.

ESTIMATES

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

BUDGET INFORMATION

The Regional Office of Education #2 acts as the administrative agent for certain grant programs that are accounted for within the Education Fund. These programs have separate budgets and are required to report to the Illinois State Board of Education and Illinois Community College Board; however, none of the annual budgets have been legally adopted, nor are they required to do so. Certain programs within the General Fund and the Special Revenue Funds do not have separate budgets. Comparisons of budgeted and actual results for the following programs are presented as supplementary information: Adult Education - Federal Basic, Adult Education - Performance, Adult Education - Public Assistance, Adult Education - State 3-1, Area 6 South Tech Hub, McKinney Education for Homeless Children, Regional Safe Schools, ROE/ISC Operations, Secretary of State Adult Volunteer Literacy Grant, System of Support - Title I School Improvement and Accountability, Title I - Migrant Education, Title I - Migrant Incentive, and Truants Alternative/Optional Education.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2012

2 DEPOSITS AND INVESTMENTS

The Regional Office of Education #2 does not have a formal investment policy. The Regional Office of Education #2 is allowed to invest in securities as authorized by 30 ILCS 235/2 and 6 and 105 ILCS 5/8-7.

A. DEPOSITS

At June 30, 2012, the carrying amount of the Regional Office of Education #2's government-wide and fiduciary fund deposits were \$1,600,231 and \$327,290 respectively, and the bank balances were \$1,733,895 and \$693,467, respectively. At June 30, 2012, \$500,000 of the Regional Office of Education #2's cash deposits were insured by the Federal Deposit Insurance Corporation. Another \$1,597,521 was collateralized by securities pledged by the Regional Office of Education #2's financial institutions in the name of the Regional Office. The Illinois Funds Money Market accounts had a total balance of \$329,841 at June 30, 2012. This amount is fully collateralized and not subject to credit risk.

B. INVESTMENTS

As of June 30, 2012, the Regional Office of Education #2 had investments with carrying and fair value of \$952,816 invested in certificates of deposit. Of this amount \$370,000 was insured by the Federal Deposit Insurance Corporation and the remaining \$582,816 was collateralized by securities pledged by the Regional Office of Education #2's financial institution in the name of the Regional Office.

C. RISK DISCLOSURES

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, the Regional Office of Education's deposits may not be returned to it. The Regional Office of Education #2 does not have a deposit policy for custodial credit risk but follows the Public Funds Investment Act (30 ILCS 235/2 and 6), and Section 8-7 of the School Code.

CREDIT RISK

At June 30, 2012, the Illinois Funds Money Market Fund had a Standard and Poor's AAAM rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants.

Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provision of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

INTEREST RATE RISK

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

CONCENTRATION OF CREDIT RISK

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2012

3 DEFINED BENEFIT PENSION PLAN - ILLINOIS MUNICIPAL RETIREMENT FUND

A. PLAN DESCRIPTION

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

B. FUNDING POLICY

As set by statute, the Regional Office of Education #2's Regular plan members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2011 used by the employer was 10.09 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2011 was 16.75 percent. The Regional Office of Education #2 also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

C. ANNUAL PENSION COST

For calendar year ending December 31, 2011, the Regional Office of Education's actual contributions for pension cost for the Regular plan were \$35,035. Its required contribution for calendar year 2011 was \$58,160. The total net pension obligation of \$43,033 at June 30, 2012, has been adjusted for accrued interest and annual amortization of the prior year net pension obligation.

Three-Year Trend Information for the Regular Plan:

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/11	\$ 58,160	60%	\$ 43,033 *
12/31/10	51,184	59%	20,840
12/31/09	23,388	100%	-

* Net pension obligation as of June 30, 2012

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, included a) 7.5% investment rate of return (net of administrative and direct investment expenses), b) projected salary increases of 4.00% a year, attributable to inflation, c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and d) post retirement benefit increases of 3% annually. The actuarial value of Regional Office of Education #2's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Regional Office of Education #2's Regular plan's unfunded actuarial accrued liability at December 31, 2009 is being amortized as a level percentage of projected payroll on an open 10 year basis.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2012

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

D. FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2011, the most recent actuarial valuation date, the Regular plan was 86.61 percent funded. The actuarial accrued liability for benefits was \$1,137,872 and the actuarial value of assets was \$985,463, resulting in an unfunded actuarial accrued liability (UAAL) of \$152,409. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$347,225 and the ratio of the UAAL to the covered payroll was 44 percent.

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

4 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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

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

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2012, was 9.4% of creditable earnings. The same contribution rate applies to members whose first contributing service is on or after January 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4% for the years ended June 30, 2011 and 2010.

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

ON BEHALF CONTRIBUTIONS TO TRS

The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #2. For the year ended June 30, 2012, the State of Illinois contributions were based on 24.91 percent of creditable earnings not paid from federal funds, and the Regional Office of Education #2 recognized revenue and expenditures of \$95,709 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2011 and June 30, 2010, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 23.10 percent (\$90,560) and 23.38 percent (\$107,120), respectively.

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

2.2 FORMULA CONTRIBUTIONS

Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ending June 30, 2012 were \$1,608. Contributions for the years ending June 30, 2011, and June 30, 2010, were \$1,969 and \$1,595, respectively.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2012

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

FEDERAL AND SPECIAL TRUST FUND CONTRIBUTIONS

When TRS members are paid from federal and special trust funds administered by the Regional Office of Education #2, there is a statutory requirement for the Regional Office of Education #2 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS.

For the year ended June 30, 2012, the employer pension contribution was 24.91 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2011 and 2010, the employer contribution was 23.10 percent and 23.38 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2012, salaries totaling \$83,251 were paid from federal and special trust funds that required employer contributions of \$20,738. For the years ended June 30, 2011 and June 30, 2010, required Regional Office of Education #2 contributions were \$26,076 and \$4,521, respectively.

EARLY RETIREMENT OPTION (ERO)

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

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

For the years ended June 30, 2012, 2011 and 2010, the Regional Office of Education #2 paid no employer contributions to TRS under the ERO program.

SALARY INCREASES OVER 6 PERCENT AND EXCESS SICK LEAVE

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

For the years ended June 30, 2012, 2011 and 2010, the Regional Office of Education #2 paid no TRS for employer contributions due on salary increases in excess of 6 percent.

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary rate reported by the granting employer during the four-year sick leave period, and the TRS total normal cost rate (17.83 percent of salary during the year ended June 30, 2012).

For the years ended June 30, 2012, 2011 and 2010, the Regional Office of Education #2 paid no employer contributions to TRS for sick leave days granted in excess of normal annual allotment.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2012

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

FURTHER INFORMATION ON TRS

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and State funding requirements can be found in the TRS Comprehensive Annual Financial Report for the year ended June 30, 2011. The report for the year ended June 30, 2012, is expected to be available in late 2012.

The reports may be obtained by writing to the Teacher's Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, Illinois 62794-9253. The most current report is also available on the TRS Web site at www.trs.illinois.gov.

5 TEACHER HEALTH INSURANCE SECURITY FUND

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

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

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

ON BEHALF CONTRIBUTIONS TO THIS FUND

The State of Illinois makes employer retiree health insurance contributions on behalf of the Regional Office of Education #2. State contributions are intended to match contributions to the THIS Fund from active members which were 0.88 percent of pay during the year ended June 30, 2012. State of Illinois contributions were \$2,440 and the Regional Office of Education #2 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2011 and June 30, 2010 were 0.88 percent and 0.84 percent of pay, respectively. State contributions on behalf of Regional Office of Education #2 employees were \$2,735 and \$2,310, respectively.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2012

5 TEACHER HEALTH INSURANCE SECURITY FUND (Continued)

EMPLOYER CONTRIBUTIONS TO THIS FUND

The Regional Office of Education #2 also makes contributions to THIS Fund. The Regional Office of Education #2's contribution was 0.66 percent during the years ended June 30, 2012 and June 30, 2011, and 0.63 percent during the year ended June 30, 2010. For the year ended June 30, 2012, the Regional Office of Education #2 paid \$1,830 to the THIS Fund. For the years ended June 30, 2011 and 2010, the Regional Office of Education #2 paid \$2,149 and \$1,732, to the THIS Fund, respectively, which was 100 percent of the required contribution.

FURTHER INFORMATION ON THIS FUND

The publicly available financial report of the THIS Fund may be obtained by writing to the Department of Healthcare and Family Services, 201 S. Grand Ave., Springfield, IL 62763-3838.

6 DUE TO/FROM OTHER FUNDS

Interfund due to/from other fund balances at June 30, 2012 consist of the following individual due to/from other funds in the governmental fund Balance Sheet. These balances were eliminated in the government-wide Statement of Net Assets. Interfund loans were made for the purpose of providing cash to funds that were awaiting reimbursements from grantors.

Fund	Due From Other Funds	Due To Other Funds
General Fund		
Director's Fund	\$ 350,072	\$ 207,019
General State Aid	207,020	1,460
Special Revenue Funds		
Nonmajor Special Revenue Funds		
Bus Driver Permit	-	4,304
Education Fund		
Area 6 South Tech Hub	-	8,162
ARRA Education Jobs Fund	-	8,033
McKinney Education for Homeless Children	-	4,332
Regional Safe Schools	-	14,811
System of Support Title I - School Improvement and Accountability	-	190,914
Title I Migrant Education	-	6,982
Title I Migrant Incentive Act	-	888
Truants Alternative Optional Education	-	35,123
Adult Education - General Revenue	-	6,526
Adult Education - Performance	-	12,598
Adult Education - Public Assistance	-	4,537
Adult Education - State 3-1	-	43,692
Enterprise Funds		
Workshops Fund	-	7,711
	\$ 557,092	\$ 557,092

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2012

7 ON BEHALF PAYMENTS

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

Regional Superintendent Salary	\$	100,128
Regional Superintendent Fringe Benefit (Includes State paid insurance)		14,703
Assistant Regional Superintendent Salary		90,120
Assistant Regional Superintendent Fringe Benefit (Includes State paid insurance)		14,097
Contributions to TRS and THIS		98,149
Total	\$	317,197

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.

8 CAPITAL ASSETS

In accordance with GASB Statement No. 34, the Regional Office of Education #2 has reported capital assets in the government-wide Statement of Net 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, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
General Fund				
Office Fund	\$ -	\$ 6,193	\$ -	\$ 6,193
Total for General Fund	-	6,193	-	6,193
Education Fund				
Adult Education - Federal Basic	49,706	-	4,084	45,622
Adult Education - General Revenue	119,508	-	800	118,708
Adult Education - Performance	103,295	-	-	103,295
Adult Education - Public Assistance	12,955	-	520	12,435
Adult Education - State 3-1	80,032	2,565	549	82,048
Area 6 Tech Hub	2,696	-	-	2,696
Breakfast Grant	1,398	-	850	548
DCEO Grant - Eliminate the Digital Divide	3,600	-	-	3,600
Federal Special Ed - IDEA Discretionary	6,886	-	-	6,886
Near and Far Sciences in Illinois	5,600	-	-	5,600
Reading First - Academics	5,173	-	-	5,173
Regional Safe Schools	77,580	-	-	77,580
ROE/ISC Operations	302,299	-	-	302,299
SOS FY05 Title V	2,949	-	-	2,949
SOS Title II	4,995	-	-	4,995

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2012

8 CAPITAL ASSETS (Continued)

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Education Fund-continued				
RESPRO Title I	\$ 8,378	\$ -	\$ -	\$ 8,378
State Aid	15,039	-	2,812	12,227
State Aid - Federal ARRA	8,391	-	-	8,391
Title IV - School & Drug Free/ Violence Prevention	3,873	-	-	3,873
Total for Education Fund	<u>814,353</u>	<u>2,565</u>	<u>9,615</u>	<u>807,303</u>
Total - Governmental Funds	814,353	8,758	9,615	813,496
Less: Accumulated Depreciation	<u>680,315</u>	<u>29,594</u>	<u>9,615</u>	<u>700,294</u>
Investment in Capital Assets, Net Governmental Activities	<u>\$ 134,038</u>	<u>\$ (20,836)</u>	<u>\$ -</u>	<u>\$ 113,202</u>
Business-Type Activities:				
Workshops Fund	\$ 17,410	\$ -	\$ -	\$ 17,410
Less: Accumulated Depreciation	<u>15,493</u>	<u>383</u>	<u>-</u>	<u>15,876</u>
Investment in Capital Assets, Net	<u>\$ 1,917</u>	<u>\$ (383)</u>	<u>\$ -</u>	<u>\$ 1,534</u>

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense of \$29,594 and \$383 was charged to the governmental activities and business-type activities, respectively, on the government-wide Statement of Activities for the year ended June 30, 2012. Investment in capital assets is the component of net assets that reports capital assets net of accumulated depreciation.

9 DISTRIBUTIVE FUND INTEREST

A written agreement between the Regional Office of Education #2's school boards, which receive funds through the Regional Office of Education #2, provides for the retention of interest earned on the State Distributive Fund checking account by the Regional Superintendent to be used for the benefit of all of the districts in the region. During the year the distributive fund earned interest of \$3,966. At June 30, 2012 all accumulated interest had been distributed.

10 RISK MANAGEMENT

The Regional Office of Education #2 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Regional Office of Education #2 has purchased commercial insurance to cover these risks. During the year ended June 30, 2012, there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2012

11 INTERFUND ACTIVITY

Interfund transfers in/out to other funds at June 30, 2012 consist of the following individual transfers in/out to other funds in the fund statements. The transfer balances between governmental funds were eliminated in the government-wide Statement of Activities; however, the transfers between the governmental funds and the business-type funds were not eliminated. There were no interfund transfers in/out between funds during the fiscal year 2012.

12 DUE TO/FROM OTHER GOVERNMENTS

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

Due from Other Governments:

General Fund		
Local Governments	\$	104,268
Special Revenue Fund - Education Fund		
Illinois Community College Board		60,827
Illinois State Board of Education		369,871
Local Governments		12,494
Nonmajor Special Revenue Funds		
Local Governments		2,392
Proprietary Fund		
Local Governments		5,465
Fiduciary Fund - Distributive Fund		
Illinois State Board of Education		<u>6,232,540</u>
Total	\$	<u><u>6,787,857</u></u>

Due to Other Governments:

Special Revenue Fund - Education Fund		
Local School Districts	\$	109,367
Fiduciary Fund - Distributive Fund		
Local School Districts		<u>6,559,830</u>
Total	\$	<u><u>6,669,197</u></u>

13 OPERATING LEASES

The Regional Office of Education #2 has entered into several operating lease agreements for office facilities and a postage meter. During the year ended June 30, 2012 rentals under lease obligations were \$3,641. The only significant lease during fiscal year 2012 was a lease of office space with monthly payments of \$263 through September 30, 2013. Future minimum rentals under this lease are as follows for the years ending June 30:

2013	\$	3,156
2014		<u>789</u>
Total	\$	<u><u>3,945</u></u>

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2012

14 LONG-TERM LIABILITIES

COMPENSATED ABSENCES

Vacation pay and sick pay are considered expenditures in the year paid. An employee may accumulate an unlimited number of vacation days for use in future years; however, upon termination, with a few exceptions, employees will only be paid a maximum of twenty days. At June 30, 2012, the liability for unused vacation days was \$11,321, and is shown on the Statement of Net Assets. The net decrease in the amount of vacation pay that was earned by the Regional Office of Education #2's employees in the current year was \$1,226. Accumulated sick pay benefits are available to all full-time employees to use in future years. Unused sick pay is limited to a maximum of 48 days. Upon termination, the employee is not compensated for any unused sick days; therefore, no accruals or reserves have been established.

ILLINOIS MUNICIPAL RETIREMENT FUND NET PENSION OBLIGATION

During the year ended June 30, 2012, the Regional Office of Education #2 incurred a net pension obligation of \$43,033 with the Illinois Municipal Retirement Fund. Of this amount, \$38,216 is recorded in the governmental activities, and \$4,817 is recorded in the business-type activities. See Note #3 for additional information regarding the Illinois Municipal Retirement Fund defined benefit pension plan.

15 OTHER POSTEMPLOYMENT COMMITMENTS

The Regional Office of Education #2 has evaluated its potential other post employment benefits liability. Based on this evaluation, the Regional Office of Education #2 determined that they offer no health insurance plan for current or former employees. Therefore, there has been zero percent utilization and therefore no implicit subsidy to calculate in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other than Pensions*. Therefore, the Regional Office of Education #2 has not recorded any post employment benefit liability as of June 30, 2012.

16 OTHER REQUIRED FUND DISCLOSURES

Deficit fund balances at June 30, 2012 are as follows:

Special Revenue Funds	
Education Fund	
Adult Education Performance	(4,199)
Adult Education Public Assistance	(1,512)
Adult Education Adult State 3-1	(14,564)
McKinney Education for Homeless Children	(4,332)
System of Support Title I - School	
Improvement and Accountability	(109,187)
Title I Migrant Education	(3,889)
Title I Migrant Incentive Grant	(44)
Nonmajor Special Revenue Funds	
Bus Driver Permit	(3,950)

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2012

17 PRIOR PERIOD ADJUSTMENTS

Certain errors resulting in a misstatement of amounts due from other governments were discovered by the Regional Office of Education #2 during fiscal year 2012. The effects of correcting these errors, are as follows.

The beginning net assets of the Business-Type Activities as reported in the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Net Assets, Proprietary Fund were increased by \$5,556 from \$35,342 to \$40,898 which also resulted in an increase in the prior year change in net assets by \$5,556.

The beginning fund balance of the Nonmajor Special Revenue Funds was increased by \$1,195 from \$5,667 to \$6,862 which also resulted in an increase in the prior year change in fund balance by \$1,195. Also, as a result of this correction, beginning net assets as reported in the Statement of Activities - Governmental Activities increased by \$1,195 from \$2,748,957 to \$2,750,152 which also resulted in an increase in the prior year change in net assets by \$1,195.

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

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

ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS
(UNAUDITED)

JUNE 30, 2012

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)
12/31/11	\$ 985,463	\$ 1,137,872	\$ 152,409	86.61%	\$ 347,225	43.89%
12/31/10	920,587	1,089,025	168,438	84.53%	333,447	50.51%
12/31/09	915,836	1,142,658	226,822	80.15%	354,904	63.91%

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$926,440.

On a market basis, the funded ratio would be 81.42%.

See accompanying Independent Auditor's Report.

SUPPLEMENTAL INFORMATION

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

COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND

JUNE 30, 2012

	General State Aid	Office Fund	Director's Fund	Total
Assets				
Cash and cash equivalents	\$ 1,293,223	\$ 252,772	\$ -	\$ 1,545,995
Investments	902,816	-	-	902,816
Due from other funds	207,020	-	350,072	557,092
Due from other governments				
Local	-	104,268	-	104,268
	<u>\$ 2,403,059</u>	<u>\$ 357,040</u>	<u>\$ 350,072</u>	<u>\$ 3,110,171</u>
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 7,384	\$ 1,271	\$ 1,258	\$ 9,913
Due to other funds	1,460	-	207,019	208,479
Deferred revenue	1,335	91,480	-	92,815
	<u>10,179</u>	<u>92,751</u>	<u>208,277</u>	<u>311,207</u>
Fund balance				
Assigned	2,392,880	264,289	-	2,657,169
Unassigned	-	-	141,795	141,795
	<u>2,392,880</u>	<u>264,289</u>	<u>141,795</u>	<u>2,798,964</u>
Total fund balance	<u>2,392,880</u>	<u>264,289</u>	<u>141,795</u>	<u>2,798,964</u>
Total liabilities and fund balance	<u>\$ 2,403,059</u>	<u>\$ 357,040</u>	<u>\$ 350,072</u>	<u>\$ 3,110,171</u>

See accompanying Independent Auditor's Report.

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

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

For the Year Ended June 30, 2012

	General State Aid	Office Fund	Director's Fund	Total
Revenues				
Local sources	\$ 27,783	\$ 65,157	\$ 10,964	\$ 103,904
State sources	365,057	-	-	365,057
State sources-payments made on behalf of region	-	-	317,197	317,197
Federal sources	25,540	-	-	25,540
Total revenues	418,380	65,157	328,161	811,698
Expenditures				
Salaries and benefits	22,528	16,830	2,247	41,605
Purchased services	52,360	21,381	17,164	90,905
Supplies and materials	36,143	15,970	2,678	54,791
Capital outlay	-	6,193	-	6,193
Payments made on behalf of region	-	-	317,197	317,197
Total expenditures	111,031	60,374	339,286	510,691
Excess (deficiency) of revenues over (under) expenditures	307,349	4,783	(11,125)	301,007
Other financing sources (uses)				
Interest	14,659	586	3,342	18,587
Total other financing sources (uses)	14,659	586	3,342	18,587
Net change in fund balances	322,008	5,369	(7,783)	319,594
Fund balance - beginning	2,070,872	258,920	149,578	2,479,370
Fund balance - ending	<u>\$ 2,392,880</u>	<u>\$ 264,289</u>	<u>\$ 141,795</u>	<u>\$ 2,798,964</u>

See accompanying Independent Auditor's Report.

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

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND

JUNE 30, 2012

	Adult Education	Area 6 South Tech Hub	Flexible Funding for Wraparound Plans	Grow Your Own FOCUS Grant	ARRA Education Jobs Fund
Assets					
Cash and cash equivalents	\$ 3,991	\$ -	\$ 1,620	\$ 4,527	\$ -
Investments	50,000	-	-	-	-
Due from other governments					
Local	-	8,162	-	-	-
State	60,827	-	-	-	8,033
Total assets	\$ 114,818	\$ 8,162	\$ 1,620	\$ 4,527	\$ 8,033
Liabilities and fund balance (deficit)					
Liabilities					
Accounts payable	\$ 1,075	\$ -	\$ -	\$ -	\$ -
Due to other governments:					
Local	-	-	-	-	-
Due to other funds	67,353	8,162	-	-	8,033
Deferred revenue	20,275	-	1,620	4,527	-
Total liabilities	88,703	8,162	1,620	4,527	8,033
Restricted for educational purposes	46,390	-	-	-	-
Unassigned	(20,275)	-	-	-	-
Total fund balance (deficit)	26,115	-	-	-	-
Total liabilities and fund balance (deficit)	\$ 114,818	\$ 8,162	\$ 1,620	\$ 4,527	\$ 8,033

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See accompanying Independent Auditor's Report.

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

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND

JUNE 30, 2012

	Gifted Education	Kids in School (DHS)	McKinney Education for Homeless Children	Mentoring New Principals	Miscellaneous Grant Funds
Assets					
Cash and cash equivalents	\$ 400	\$ 435	\$ -	\$ 12,308	\$ 1,983
Investments	-	-	-	-	-
Due from other governments					
Local	-	-	4,332	-	-
State	-	-	-	-	-
Total assets	\$ 400	\$ 435	\$ 4,332	\$ 12,308	\$ 1,983
Liabilities and fund balance (deficit)					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments:					
Local	180	-	-	-	-
Due to other funds	-	-	4,332	-	-
Deferred revenue	220	435	4,332	12,279	1,983
Total liabilities	400	435	8,664	12,279	1,983
Restricted for educational purposes	-	-	-	29	-
Unassigned	-	-	(4,332)	-	-
Total fund balance (deficit)	-	-	(4,332)	29	-
Total liabilities and fund balance (deficit)	\$ 400	\$ 435	\$ 4,332	\$ 12,308	\$ 1,983

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See accompanying Independent Auditor's Report.

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

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND

JUNE 30, 2012

	Regional Safe Schools	ROE/ISC Operations	Secretary of State Adult Volunteer Literacy	Service Fund	System of Support Title I - School Improvement and Accountability
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ 6,235	\$ 7,193	\$ -
Investments	-	-	-	-	-
Due from other governments					
Local	-	-	-	-	-
State	14,811	-	-	-	300,101
Total assets	\$ 14,811	\$ -	\$ 6,235	\$ 7,193	\$ 300,101
Liabilities and fund balance (deficit)					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 5,380	\$ -	\$ -
Due to other governments:					
Local	-	-	-	-	109,187
Due to other funds	14,811	-	-	-	190,914
Deferred revenue	-	-	855	2,800	109,187
Total liabilities	14,811	-	6,235	2,800	409,288
Restricted for educational purposes	-	-	-	4,393	-
Unassigned	-	-	-	-	(109,187)
Total fund balance (deficit)	-	-	-	4,393	(109,187)
Total liabilities and fund balance (deficit)	\$ 14,811	\$ -	\$ 6,235	\$ 7,193	\$ 300,101

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See accompanying Independent Auditor's Report.

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

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND

JUNE 30, 2012

	Title I Migrant Education	Title I Migrant Incentive Grant	Truants Alternative/ Optional Education	Total
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 38,692
Investments	-	-	-	50,000
Due from other governments				
Local	-	-	-	12,494
State	10,871	932	35,123	430,698
	<u>10,871</u>	<u>932</u>	<u>35,123</u>	<u>430,698</u>
Total assets	<u>\$ 10,871</u>	<u>\$ 932</u>	<u>\$ 35,123</u>	<u>\$ 531,884</u>
Liabilities and fund balance (deficit)				
Liabilities				
Accounts payable	\$ 3,889	\$ 44	\$ -	\$ 10,388
Due to other governments:				
Local	-	-	-	109,367
Due to other funds	6,982	888	35,123	336,598
Deferred revenue	3,889	44	-	162,446
	<u>14,760</u>	<u>976</u>	<u>35,123</u>	<u>618,799</u>
Total liabilities	<u>14,760</u>	<u>976</u>	<u>35,123</u>	<u>618,799</u>
Restricted for educational purposes	-	-	-	50,812
Unassigned	(3,889)	(44)	-	(137,727)
	<u>(3,889)</u>	<u>(44)</u>	<u>-</u>	<u>(86,915)</u>
Total fund balance (deficit)	<u>(3,889)</u>	<u>(44)</u>	<u>-</u>	<u>(86,915)</u>
Total liabilities and fund balance (deficit)	<u>\$ 10,871</u>	<u>\$ 932</u>	<u>\$ 35,123</u>	<u>\$ 531,884</u>

See accompanying Independent Auditor's Report.

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

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

For the Year Ended June 30, 2012

	Adult Education	Area 6 South Tech Hub	Flexible Funding for Wraparound Plans	Grow Your Own FOCUS Grant	ARRA Education Jobs Fund
Revenues					
Local sources	\$ 19,178	\$ -	\$ -	\$ 567	\$ -
State sources - FY12	241,484	8,162	207	-	-
State sources - FY11	121,303	-	-	-	-
Federal sources	169,982	-	-	-	36,095
Total revenues	<u>551,947</u>	<u>8,162</u>	<u>207</u>	<u>567</u>	<u>36,095</u>
Expenditures					
Salaries and benefits	400,062	8,001	-	-	2,202
Purchased services	57,902	161	-	-	188
Supplies and materials	35,961	-	211	574	-
Payments to other governments	-	-	-	-	7,900
Capital outlay	2,565	-	-	-	-
Total expenditures	<u>496,490</u>	<u>8,162</u>	<u>211</u>	<u>574</u>	<u>10,290</u>
Excess (deficiency) of revenues over (under) expenditures	<u>55,457</u>	<u>-</u>	<u>(4)</u>	<u>(7)</u>	<u>25,805</u>
Other financing sources (uses):					
Interest	127	-	4	7	-
Total other financing sources (uses)	<u>127</u>	<u>-</u>	<u>4</u>	<u>7</u>	<u>-</u>
Net change in fund balances	55,584	-	-	-	25,805
Fund balance (deficit) - beginning	<u>(29,469)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,805)</u>
Fund balance (deficit) - ending	<u>\$ 26,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

For the Year Ended June 30, 2012

	Gifted Education	Kids in School (DHS)	McKinney Education for Homeless Children	Mentoring New Principals	Miscellaneous Grant Funds
Revenues					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 2,196
State sources - FY12	-	465	-	-	-
State sources - FY11	-	-	-	-	-
Federal sources	-	-	6,500	-	-
Total revenues	<u>-</u>	<u>465</u>	<u>6,500</u>	<u>-</u>	<u>2,196</u>
Expenditures					
Salaries and benefits	-	-	5,923	-	-
Purchased services	-	-	968	-	2,200
Supplies and materials	-	467	506	-	-
Payments to other governments	-	-	3,435	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>467</u>	<u>10,832</u>	<u>-</u>	<u>2,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(2)</u>	<u>(4,332)</u>	<u>-</u>	<u>(4)</u>
Other financing sources (uses):					
Interest	-	2	-	29	4
Total other financing sources (uses)	<u>-</u>	<u>2</u>	<u>-</u>	<u>29</u>	<u>4</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(4,332)</u>	<u>29</u>	<u>-</u>
Fund balance (deficit) - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,332)</u>	<u>\$ 29</u>	<u>\$ -</u>

See accompanying Independent Auditor's Report.

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

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

For the Year Ended June 30, 2012

	Regional Safe Schools	ROE/ISC Operations	Secretary of State Adult Volunteer Literacy	Service Fund	System of Support Title I - School Improvement & Accountability
Revenues					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources - FY 12	66,646	25,511	29,098	-	-
State sources - FY 11	-	5,142	15,335	-	-
Federal sources	-	-	-	-	498,877
Total revenues	<u>66,646</u>	<u>30,653</u>	<u>44,433</u>	<u>-</u>	<u>498,877</u>
Expenditures					
Salaries and benefits	62,723	25,132	15,100	-	168,249
Purchased services	2,035	381	9,950	-	52,159
Supplies and materials	1,888	-	8,141	-	2,003
Payments to other governments	-	-	11,260	-	385,714
Capital outlay	-	-	-	-	-
Total expenditures	<u>66,646</u>	<u>25,513</u>	<u>44,451</u>	<u>-</u>	<u>608,125</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>5,140</u>	<u>(18)</u>	<u>-</u>	<u>(109,248)</u>
Other financing sources (uses):					
Interest	-	2	18	16	61
Total other financing sources (uses)	<u>-</u>	<u>2</u>	<u>18</u>	<u>16</u>	<u>61</u>
Net change in fund balances	<u>-</u>	<u>5,142</u>	<u>-</u>	<u>16</u>	<u>(109,187)</u>
Fund balance (deficit) - beginning	<u>-</u>	<u>(5,142)</u>	<u>-</u>	<u>4,377</u>	<u>-</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,393</u>	<u>\$ (109,187)</u>

See accompanying Independent Auditor's Report.

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

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

For the Year Ended June 30, 2012

	Title I Migrant Education	Title I Migrant Incentive Grant	Truants Alternative/ Optional Education	Total
Revenues				
Local sources	\$ -	\$ -	\$ -	\$ 21,941
State sources - FY 12	-	-	126,839	498,412
State sources - FY 11	-	-	-	141,780
Federal sources	32,875	3,138	-	747,467
Total revenues	<u>32,875</u>	<u>3,138</u>	<u>126,839</u>	<u>1,409,600</u>
Expenditures				
Salaries and benefits	23,621	-	82,463	793,476
Purchased services	5,132	-	34,631	165,707
Supplies and materials	8,015	3,183	9,745	70,694
Payments to other governments	-	-	-	408,309
Capital outlay	-	-	-	2,565
Total expenditures	<u>36,768</u>	<u>3,183</u>	<u>126,839</u>	<u>1,440,751</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,893)</u>	<u>(45)</u>	<u>-</u>	<u>(31,151)</u>
Other financing sources (uses):				
Interest	4	1	-	275
Total other financing sources (uses)	<u>4</u>	<u>1</u>	<u>-</u>	<u>275</u>
Net change in fund balances	(3,889)	(44)	-	(30,876)
Fund balance (deficit) - beginning	-	-	-	(56,039)
Fund balance (deficit) - ending	<u>\$ (3,889)</u>	<u>\$ (44)</u>	<u>\$ -</u>	<u>\$ (86,915)</u>

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See accompanying Independent Auditor's Report.

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

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
ADULT EDUCATION PROGRAMS

JUNE 30, 2012

	Federal Basic	General Revenue	Performance	Public Assistance	Adult State 3-1	Vocational Flow Through	Total
Assets							
Cash and cash equivalents	\$ -	\$ 3,991	\$ -	\$ -	\$ -	\$ -	\$ 3,991
Investments	-	50,000	-	-	-	-	50,000
Due from other governments							
State	-	-	12,598	4,537	43,692	-	60,827
Total assets	<u>\$ -</u>	<u>\$ 53,991</u>	<u>\$ 12,598</u>	<u>\$ 4,537</u>	<u>\$ 43,692</u>	<u>\$ -</u>	<u>\$ 114,818</u>
Liabilities and fund balance (deficit)							
Liabilities							
Accounts payable	\$ -	\$ 1,075	\$ -	\$ -	\$ -	\$ -	\$ 1,075
Due to other funds	-	6,526	12,598	4,537	43,692	-	67,353
Deferred revenue	-	-	4,199	1,512	14,564	-	20,275
Total liabilities	<u>-</u>	<u>7,601</u>	<u>16,797</u>	<u>6,049</u>	<u>58,256</u>	<u>-</u>	<u>88,703</u>
Fund balance							
Restricted for educational purposes	-	46,390	-	-	-	-	46,390
Unassigned	-	-	(4,199)	(1,512)	(14,564)	-	(20,275)
Total fund balance (deficit)	<u>-</u>	<u>46,390</u>	<u>(4,199)</u>	<u>(1,512)</u>	<u>(14,564)</u>	<u>-</u>	<u>26,115</u>
Total liabilities and fund balance (deficit)	<u>\$ -</u>	<u>\$ 53,991</u>	<u>\$ 12,598</u>	<u>\$ 4,537</u>	<u>\$ 43,692</u>	<u>\$ -</u>	<u>\$ 114,818</u>

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See accompanying Independent Auditor's Report.

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

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

For the Year Ended June 30, 2012

	Federal Basic	General Revenue	Performance	Public Assistance	Adult State 3-1	Vocational Flow Through	Total
Revenues							
Local sources	\$ -	\$ 19,178	\$ -	\$ -	\$ -	\$ -	\$ 19,178
State sources - FY12	-	-	46,193	16,634	160,204	18,453	241,484
State sources - FY11	-	-	17,041	7,513	92,877	3,872	121,303
Federal sources	169,982	-	-	-	-	-	169,982
Total revenues	<u>169,982</u>	<u>19,178</u>	<u>63,234</u>	<u>24,147</u>	<u>253,081</u>	<u>22,325</u>	<u>551,947</u>
Expenditures							
Salaries and benefits	140,306	22,509	42,936	16,379	156,270	21,662	400,062
Purchased services	21,199	17,380	4,386	1,280	12,988	669	57,902
Supplies and materials	8,484	20,975	3,070	487	2,945	-	35,961
Capital outlay	-	-	-	-	2,565	-	2,565
Total expenditures	<u>169,989</u>	<u>60,864</u>	<u>50,392</u>	<u>18,146</u>	<u>174,768</u>	<u>22,331</u>	<u>496,490</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7)</u>	<u>(41,686)</u>	<u>12,842</u>	<u>6,001</u>	<u>78,313</u>	<u>(6)</u>	<u>55,457</u>
Other financing sources							
Interest	7	114	-	-	-	6	127
Total other financing sources	<u>7</u>	<u>114</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>127</u>
Net change in fund balance	-	(41,572)	12,842	6,001	78,313	-	55,584
Fund balance (deficit) - beginning	-	87,962	(17,041)	(7,513)	(92,877)	-	(29,469)
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ 46,390</u>	<u>\$ (4,199)</u>	<u>\$ (1,512)</u>	<u>\$ (14,564)</u>	<u>\$ -</u>	<u>\$ 26,115</u>

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

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ADULT EDUCATION - FEDERAL BASIC

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 169,982	\$ 169,982	\$ 169,982
Total revenues	<u>169,982</u>	<u>169,982</u>	<u>169,982</u>
Expenditures			
Salaries and benefits	145,943	145,943	140,306
Purchased services	16,747	16,747	21,199
Supplies and materials	7,292	7,292	8,484
Total expenditures	<u>169,982</u>	<u>169,982</u>	<u>169,989</u>
(Deficiency) of revenues (under) expenditures	<u>-</u>	<u>-</u>	<u>(7)</u>
Other Financing Sources			
Interest	<u>-</u>	<u>-</u>	<u>7</u>
Total Other financing sources	<u>-</u>	<u>-</u>	<u>7</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance -beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditor's Report.

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

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ADULT EDUCATION - PERFORMANCE

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State - FY12	\$ 50,392	\$ 50,392	\$ 46,193
State - FY11	-	-	17,041
Total revenues	<u>50,392</u>	<u>50,392</u>	<u>63,234</u>
Expenditures			
Salaries and benefits	48,256	48,256	42,936
Purchased services	2,036	2,036	4,386
Supplies and materials	50	50	3,070
Capital outlay	50	50	-
Total expenditures	<u>50,392</u>	<u>50,392</u>	<u>50,392</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>12,842</u>
Net change in fund balance	-	-	12,842
Fund balance (deficit) -beginning	<u>-</u>	<u>-</u>	<u>(17,041)</u>
Fund balance (deficit) - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (4,199)</u></u>

See accompanying Independent Auditor's Report.

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

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ADULT EDUCATION - PUBLIC ASSISTANCE

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State - FY12	\$ 18,146	\$ 18,146	\$ 16,634
State - FY11	-	-	7,513
Total revenues	<u>18,146</u>	<u>18,146</u>	<u>24,147</u>
Expenditures			
Salaries and benefits	15,345	15,345	16,379
Purchased services	1,618	1,618	1,280
Supplies and materials	1,183	1,183	487
Total expenditures	<u>18,146</u>	<u>18,146</u>	<u>18,146</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>6,001</u>
Net change in fund balance	-	-	6,001
Fund balance (deficit) - beginning	<u>-</u>	<u>-</u>	<u>(7,513)</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,512)</u>

See accompanying Independent Auditor's Report.

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

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

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State - FY12	\$ 174,768	\$ 174,768	\$ 160,204
State - FY11	-	-	92,877
Total revenues	<u>174,768</u>	<u>174,768</u>	<u>253,081</u>
Expenditures			
Salaries and benefits	159,526	159,526	156,270
Purchased services	10,256	10,256	12,988
Supplies and materials	4,986	4,986	2,945
Capital outlay	-	-	2,565
Total expenditures	<u>174,768</u>	<u>174,768</u>	<u>174,768</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>78,313</u>
Net change in fund balance	-	-	78,313
Fund balance (deficit) - beginning	<u>-</u>	<u>-</u>	<u>(92,877)</u>
Fund balance (deficit) - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (14,564)</u></u>

See accompanying Independent Auditor's Report.

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

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
AREA 6 SOUTH TECH HUB

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 8,162	\$ 8,162	\$ 8,162
Total revenues	<u>8,162</u>	<u>8,162</u>	<u>8,162</u>
Expenditures			
Salaries and benefits	8,162	8,162	8,001
Purchased services	-	-	161
Total expenditures	<u>8,162</u>	<u>8,162</u>	<u>8,162</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditor's Report.

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

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
MCKINNEY EDUCATION FOR HOMELESS CHILDREN

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal	\$ 13,000	\$ 14,200	\$ 6,500
Total revenues	<u>13,000</u>	<u>14,200</u>	<u>6,500</u>
Expenditures			
Salaries and benefits	5,914	5,914	5,923
Purchased services	1,187	1,187	968
Supplies and materials	680	1,880	506
Payments to other governments	5,219	5,219	3,435
Total expenditures	<u>13,000</u>	<u>14,200</u>	<u>10,832</u>
(Deficiency) of revenues (under) expenditures	<u>-</u>	<u>-</u>	<u>(4,332)</u>
Net change in fund balance	-	-	(4,332)
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,332)</u>

See accompanying Independent Auditor's Report.

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

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
REGIONAL SAFE SCHOOLS

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State - FY12	\$ 66,646	\$ 66,646	\$ 66,646
State - FY11	-	-	-
Total revenues	<u>66,646</u>	<u>66,646</u>	<u>66,646</u>
Expenditures			
Salaries and benefits	61,121	61,121	62,723
Purchased services	4,609	4,609	2,035
Supplies and materials	916	916	1,888
Total expenditures	<u>66,646</u>	<u>66,646</u>	<u>66,646</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditor's Report.

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

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ROE/ISC OPERATIONS

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State - FY12	\$ 25,511	\$ 25,511	\$ 25,511
State - FY11	-	-	5,142
Total revenues	<u>25,511</u>	<u>25,511</u>	<u>30,653</u>
Expenditures			
Salaries and benefits	24,623	24,623	25,132
Purchased services	888	888	381
Total expenditures	<u>25,511</u>	<u>25,511</u>	<u>25,513</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>5,140</u>
Other financing sources			
Interest	-	-	2
Total other financing sources	<u>-</u>	<u>-</u>	<u>2</u>
Net change in fund balance	-	-	5,142
Fund balance (deficit) - beginning	<u>-</u>	<u>-</u>	<u>(5,142)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditor's Report.

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

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
SECRETARY OF STATE ADULT VOLUNTEER LITERACY GRANT

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State - FY12	\$ 30,000	\$ 30,805	\$ 29,098
State - FY11	-	-	15,335
Total revenues	<u>30,000</u>	<u>30,805</u>	<u>44,433</u>
Expenditures			
Salaries and benefits	18,958	14,895	15,100
Purchased services	10,407	10,875	9,950
Supplies and materials	635	5,035	8,141
Payments to other governments	-	-	11,260
Total expenditures	<u>30,000</u>	<u>30,805</u>	<u>44,451</u>
(Deficiency) of revenues (under) expenditures	<u>-</u>	<u>-</u>	<u>(18)</u>
Other Financing Sources			
Interest	-	-	18
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>18</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Note: \$15,335 of the actual expenditures reported above relate to the fiscal year 2011 grant which ended August 31, 2011. The fiscal year 2012 expenditures did not exceed fiscal year 2012 budgeted amounts.

See accompanying Independent Auditor's Report.

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

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

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal	\$ 656,896	\$ 656,896	\$ 498,877
Total revenues	<u>656,896</u>	<u>656,896</u>	<u>498,877</u>
Expenditures			
Salaries and benefits	208,053	176,608	168,249
Purchased services	293,432	50,620	52,159
Supplies and materials	1,000	15,100	2,003
Payments to other governments	154,411	414,568	385,714
Total expenditures	<u>656,896</u>	<u>656,896</u>	<u>608,125</u>
(Deficiency) of revenues (under) expenditures	<u>-</u>	<u>-</u>	<u>(109,248)</u>
Other financing sources			
Interest	-	-	61
Total other financing sources	<u>-</u>	<u>-</u>	<u>61</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(109,187)</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (109,187)</u>

See accompanying Independent Auditor's Report.

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

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE I - MIGRANT EDUCATION

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal	\$ 45,719	\$ 45,719	\$ 32,875
Total revenues	<u>45,719</u>	<u>45,719</u>	<u>32,875</u>
Expenditures			
Salaries and benefits	30,140	32,651	23,621
Purchased services	11,360	4,859	5,132
Supplies and materials	4,219	8,209	8,015
Total expenditures	<u>45,719</u>	<u>45,719</u>	<u>36,768</u>
(Deficiency) of revenues (under) expenditures	<u>-</u>	<u>-</u>	<u>(3,893)</u>
Other financing sources			
Interest	<u>-</u>	<u>-</u>	<u>4</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>4</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(3,889)</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,889)</u>

See accompanying Independent Auditor's Report.

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

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE 1 - MIGRANT INCENTIVE

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal	\$ 2,500	\$ 2,500	\$ 3,138
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>3,138</u>
Expenditures			
Supplies and materials	<u>2,500</u>	<u>2,500</u>	<u>3,183</u>
Total expenditures	<u>2,500</u>	<u>2,500</u>	<u>3,183</u>
(Deficiency) of revenues (under) expenditures	<u>-</u>	<u>-</u>	<u>(45)</u>
Other financing sources			
Interest	<u>-</u>	<u>-</u>	<u>1</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>1</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(44)</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (44)</u>

Note: \$2,148 of the actual expenditures reported above relate to the fiscal year 2011 grant which ended August 31, 2011. The fiscal year 2012 expenditures did not exceed fiscal year 2012 budgeted amounts.

See accompanying Independent Auditor's Report.

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

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TRUANTS ALTERNATIVE/OPTIONAL EDUCATION

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 126,839	\$ 126,839	\$ 126,839
Total revenues	<u>126,839</u>	<u>126,839</u>	<u>126,839</u>
Expenditures			
Salaries and benefits	90,014	82,872	82,463
Purchased services	33,725	33,867	34,631
Supplies and materials	3,100	10,100	9,745
Total expenditures	<u>126,839</u>	<u>126,839</u>	<u>126,839</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditor's Report.

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

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2012

	Institute	Bus Driver Permit	General Education Development	Total
Assets				
Cash and cash equivalents	\$ 8,518	\$ -	\$ 7,026	\$ 15,544
Due from other governments				
Local	850	720	822	2,392
Total assets	\$ 9,368	\$ 720	\$ 7,848	\$ 17,936
Liabilities and fund balance (deficit)				
Liabilities				
Accounts payable	\$ -	\$ 366	\$ -	\$ 366
Due to other funds	-	4,304	-	4,304
Deferred revenue	-	-	-	-
Total liabilities	-	4,670	-	4,670
Fund balance (deficit)				
Restricted for educational purposes	9,368	-	7,848	17,216
Unassigned	-	(3,950)	-	(3,950)
Total fund balance (deficit)	9,368	(3,950)	7,848	13,266
Total liabilities and fund balance (deficit)	\$ 9,368	\$ 720	\$ 7,848	\$ 17,936

See accompanying Independent Auditor's Report.

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

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

For the Year Ended June 30, 2012

	Institute	Bus Driver Permit	General Education Development	Total
Revenues				
Local sources	\$ 13,744	\$ 2,041	\$ 7,413	\$ 23,198
State sources	-	850	710	1,560
Total revenues	<u>13,744</u>	<u>2,891</u>	<u>8,123</u>	<u>24,758</u>
Expenditures				
Salaries and benefits	-	1,600	1,826	3,426
Purchased services	8,203	1,656	1,424	11,283
Supplies and materials	141	76	3,443	3,660
Total expenditures	<u>8,344</u>	<u>3,332</u>	<u>6,693</u>	<u>18,369</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,400</u>	<u>(441)</u>	<u>1,430</u>	<u>6,389</u>
Other financing sources				
Interest	1	-	14	15
Total other financing sources	<u>1</u>	<u>-</u>	<u>14</u>	<u>15</u>
Net change in fund balance	5,401	(441)	1,444	6,404
Fund balance (deficit) - beginning (Restated - See note 17)	<u>3,967</u>	<u>(3,509)</u>	<u>6,404</u>	<u>6,862</u>
Fund balance (deficit) - ending	<u>\$ 9,368</u>	<u>\$ (3,950)</u>	<u>\$ 7,848</u>	<u>\$ 13,266</u>

See accompanying Independent Auditor's Report.

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

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND

For the Year Ended June 30, 2012

	Balance 6/30/11	Additions	Deductions	Balance 6/30/12
<u>Distributive Fund</u>				
Assets				
Cash and cash equivalents	\$ 387,990	\$ 53,230,037	\$ 53,290,737	\$ 327,290
Due from other governments	6,707,770	6,232,540	6,707,770	6,232,540
Total Assets	\$ 7,095,760	\$ 59,462,577	\$ 59,998,507	\$ 6,559,830
Liabilities				
Due to other governments	\$ 7,095,760	\$ 59,462,577	\$ 59,998,507	\$ 6,559,830
Total Liabilities	\$ 7,095,760	\$ 59,462,577	\$ 59,998,507	\$ 6,559,830

See accompanying Independent Auditor's Report.

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

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
DISTRIBUTIVE FUND
For the Year Ended June 30, 2012

Program Description	Program Number	Cairo SD #1	Egyptian CUSD 5	Goreville CUD 1	New Simpson Hill CD 32	Buncombe CSD	Cypress School #64	Janet Ulrich Reg. Supt. of Schools	Vienna High School Dist 13-3
General State Aid - Sec. 18-8	3001	\$ 3,559,410	\$ 2,894,588	\$ 1,802,379	\$ 1,197,703	\$ 303,928	\$ 509,877	\$ -	\$ 1,378,721
Reorganization Incentive Feasibility Study	3021	-	-	-	-	-	-	7,500	-
Sp. Ed. - Private Facility Tuition	3100	-	-	-	-	-	-	-	-
Sp. Ed. - Funding for Children Requiring Serv.	3105	92,252	83,680	85,667	40,247	11,655	17,081	-	54,050
Sp. Ed. - Personnel	3110	197,164	177,206	141,750	40,375	23,741	23,500	-	51,579
Sp. Ed. - Orphanage - Individual	3120	47,894	-	15,712	5,962	-	-	-	-
Sp. Ed. - Summer School	3145	-	-	-	-	-	-	-	-
Bilingual Ed. - Downstate - TPI & TBE	3305	-	-	-	-	-	-	-	-
State Free Lunch & Breakfast	3360	14,531	8,372	3,394	2,517	1,009	1,334	1,199	2,062
Driver Education	3370	4,031	4,020	6,019	-	-	-	-	11,244
Transportation - Regular	3500	135,669	156,793	241,431	114,236	13,078	73,800	-	75,785
Transportation - Special Education	3510	40,492	71,869	61,554	40,245	1,691	10,267	-	7,891
ROE School Bus Driver Training	3520	-	-	-	-	-	-	850	-
National Board Certification Initiative	3651	739	-	-	739	-	-	-	-
Truants Alternative/Optional Ed.	3695	61,989	-	-	-	-	-	-	-
Regional Safe Schools	3696	-	-	-	-	-	-	-	-
Early Childhood - State Preschool at Risk	3705	387,968	387,753	304,021	139,926	-	76,214	-	-
ROE/ISC Operations	3730	-	-	-	-	-	-	-	-
Arts & Foreign Language	3962	-	-	-	-	-	-	-	-
Title VI - Rural Education Initiative	4107	-	-	-	-	-	-	-	-
National School Lunch Program	4210	189,484	144,604	63,141	51,050	19,111	27,395	16,605	38,775
School Breakfast Program	4220	101,709	68,219	23,281	15,838	9,572	15,273	8,935	16,724
Fresh Fruits and Vegetables	4240	11,577	-	-	-	-	-	-	-
IASA - Title I - Low Income	4300	686,209	443,914	88,284	45,447	24,882	35,204	-	28,811
IASA - Title I - School Improvement	4331	-	-	-	-	-	-	-	-
Title I Migrant Education	4340	-	-	-	-	-	-	45,719	-
Title IV Safe and Drug Free Schools	4400	-	-	-	-	4	-	-	-
Title IV - 21 Century CLC	4421	-	88,195	-	-	-	-	-	-
Fed Sp. Ed. - IDEA - Flow Through	4620	-	-	-	-	-	-	-	-
Fed Sp. Ed. - Preschool Flow Through	4600	-	-	-	-	-	-	-	-
Fed Sp. Ed. - IDEA - Room & Board	4625	-	-	-	731	-	-	-	-
ARRA-Title I-Low Income	4851	-	-	-	-	-	-	-	-
ARRA - Title I - Professional Development	4854	-	-	-	-	-	-	86,561	-
ARRA - School Improvement	4855	-	1,553,093	-	-	-	-	-	-
ARRA -Fed Sp. Ed. - Preschool Flow Through	4856	-	-	-	-	-	-	-	-
ARRA - Fed Sp. Ed. - IDEA - Room & Board	4857	-	-	-	-	-	-	-	-
ARRA-Tech-Enhancing Education	4861	-	-	-	-	-	-	-	-
ARRA - Education Jobs Fund Program	4880	-	4,423	183,237	1,763	445	-	28,062	2,079
Title II - Teacher Quality	4932	120,660	71,757	11,922	11,995	5,686	14,472	-	-
National Forest Reserve	N/A	9	166	18	108	11	-	-	39
Interest	N/A	-	-	-	-	-	-	3,966	-
		<u>\$ 5,651,787</u>	<u>\$ 6,158,652</u>	<u>\$ 3,031,810</u>	<u>\$ 1,708,882</u>	<u>\$ 414,813</u>	<u>\$ 804,417</u>	<u>\$ 199,397</u>	<u>\$ 1,667,760</u>

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See accompanying Independent Auditor's Report.

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

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
DISTRIBUTIVE FUND
For the Year Ended June 30, 2012

Program Description	Program Number	Massac UD 1	Joppa-Maple Grove UD 38	Meridian CUSD #101	Lick Creek CCSD #16	Cobden SUD 17	Anna School Dist #37	Jonesboro CCSD #43	Anna-Jonesboro CHSD #81
General State Aid - Sec. 18-8	3001	\$ 8,493,930	\$ 220,877	\$ 3,533,111	\$ 418,793	\$ 2,967,080	\$ 2,821,714	\$ 1,733,991	\$ 1,844,320
Reorganization Incentive Feasibility Study	3021	-	-	-	-	-	-	-	-
Sp. Ed. - Private Facility Tuition	3100	10,013	6,212	-	-	-	-	-	-
Sp. Ed. - Funding for Children Requiring Serv.	3105	337,377	40,933	99,917	18,095	92,519	81,117	58,374	106,853
Sp. Ed. - Personnel	3110	322,079	50,803	146,611	12,965	98,016	131,467	58,371	54,884
Sp. Ed. - Orphanage - Individual	3120	22,088	-	12,833	6,127	32,498	-	-	-
Sp. Ed. - Summer School	3145	3,456	-	-	-	-	-	-	-
Bilingual Ed. - Downstate - TPI & TBE	3305	-	-	-	-	24,238	-	-	-
State Free Lunch & Breakfast	3360	31,298	4,352	17,903	1,045	8,162	8,049	4,629	1,908
Driver Education	3370	17,077	1,064	3,525	-	4,042	-	-	12,706
Transportation - Regular	3500	291,527	87,235	258,444	29,424	100,008	18,664	16,835	64,834
Transportation - Special Education	3510	253,656	17,084	48,875	9,606	124,371	65,446	56,140	27,737
ROE School Bus Driver Training	3520	-	-	-	-	-	-	-	-
National Board Certification Initiative	3651	2,218	-	-	-	-	-	-	-
Truants Alternative/Optional Ed.	3695	-	-	-	-	-	-	-	-
Regional Safe Schools	3696	-	-	-	-	-	-	-	-
Early Childhood - State Preschool at Risk	3705	212,052	96,735	378,484	69,434	160,000	166,000	195,000	-
ROE/ISC Operations	3730	-	-	-	-	-	-	-	-
Arts & Foreign Language	3962	-	-	139,611	-	-	14,511	-	-
Title VI - Rural Education Initiative	4107	32,146	-	2,407	-	-	3,382	-	10,796
National School Lunch Program	4210	459,052	73,894	269,373	23,953	153,824	149,432	89,046	38,343
School Breakfast Program	4220	167,569	35,921	107,244	8,033	53,310	54,276	32,132	10,493
Fresh Fruits and Vegetables	4240	-	1,207	16,270	-	-	-	-	-
IASA - Title I - Low Income	4300	391,086	99,254	204,455	16,153	182,099	184,579	94,404	76,919
IASA - Title I - School Improvement	4331	-	-	-	-	-	-	-	-
Title I Migrant Education	4340	-	-	-	-	-	-	-	-
Title IV Safe and Drug Free Schools	4400	565	-	-	-	-	-	-	-
Title IV - 21 Century CLC	4421	-	-	148,366	-	-	-	-	-
Fed Sp. Ed. - IDEA - Flow Through	4620	467,191	-	-	-	-	-	-	-
Fed Sp. Ed. - Preschool Flow Through	4600	36,606	-	-	-	-	-	-	-
Fed Sp. Ed. - IDEA - Room & Board	4625	137,391	-	-	-	260	1,607	1,071	2,956
ARRA-Title I-Low Income	4851	-	8,432	6,824	-	-	10,447	-	-
ARRA - Title I - Professional Development	4854	-	-	-	-	-	-	-	-
ARRA - School Improvement	4855	-	-	-	-	-	-	-	-
ARRA -Fed Sp. Ed. - Preschool Flow Through	4856	13,100	-	-	-	-	-	-	-
ARRA - Fed Sp. Ed. - IDEA - Room & Board	4857	100,517	-	-	-	-	-	-	-
ARRA-Tech-Enhancing Education	4861	-	-	-	-	-	20,682	-	-
ARRA - Education Jobs Fund Program	4880	12,168	-	100,656	16,988	-	3,911	-	-
Title II - Teacher Quality	4932	75,833	17,949	31,047	-	3,352	48,879	15,705	21,082
National Forest Reserve	N/A	25	-	-	28	93	-	49	-
Interest	N/A	-	-	-	-	-	-	-	-
		<u>\$ 11,890,020</u>	<u>\$ 761,952</u>	<u>\$ 5,525,956</u>	<u>\$ 630,644</u>	<u>\$ 4,003,872</u>	<u>\$ 3,784,163</u>	<u>\$ 2,355,747</u>	<u>\$ 2,273,831</u>

See accompanying Independent Auditor's Report.

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

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
DISTRIBUTIVE FUND
For the Year Ended June 30, 2012

Program Description	Program Number	Shawnee CUSD 84	ROE/ISC Operations	Truant/ Alternative Education	Regional Safe Schools	General State Aid SS/Jr. High	System of Support	Total
General State Aid - Sec. 18-8	3001	\$ 584,116	-	\$ -	\$ -	\$ 363,858	\$ -	\$ 34,628,396
Reorganization Incentive Feasibility Study	3021	-	-	-	-	-	-	7,500
Sp. Ed. - Private Facility Tuition	3100	-	-	-	-	-	-	16,225
Sp. Ed. - Funding for Children Requiring Serv.	3105	69,910	-	-	-	-	-	1,289,727
Sp. Ed. - Personnel	3110	108,480	-	-	-	-	-	1,638,991
Sp. Ed. - Orphanage - Individual	3120	-	-	-	-	-	-	143,114
Sp. Ed. - Summer School	3145	-	-	-	-	-	-	3,456
Bilingual Ed. - Downstate - TPI & TBE	3305	-	-	-	-	-	-	24,238
State Free Lunch & Breakfast	3360	6,309	-	-	-	-	-	118,073
Driver Education	3370	3,429	-	-	-	-	-	67,157
Transportation - Regular	3500	148,377	-	-	-	-	-	1,826,140
Transportation - Special Education	3510	95,341	-	-	-	-	-	932,265
ROE School Bus Driver Training	3520	-	-	-	-	-	-	850
National Board Certification Initiative	3651	-	-	-	-	-	-	3,696
Truants Alternative/Optional Ed.	3695	-	-	209,893	-	-	-	271,882
Regional Safe Schools	3696	-	-	-	89,412	-	-	89,412
Early Childhood - State Preschool at Risk	3705	-	-	-	-	-	-	2,573,587
ROE/ISC Operations	3730	-	56,323	-	-	-	-	56,323
Arts & Foreign Language	3962	-	-	-	-	-	-	154,122
Title VI - Rural Education Initiative	4107	-	-	-	-	-	-	48,731
National School Lunch Program	4210	116,720	-	-	-	-	-	1,923,802
School Breakfast Program	4220	51,435	-	-	-	-	-	779,964
Fresh Fruits and Vegetables	4240	-	-	-	-	-	-	29,054
IASA - Title I - Low Income	4300	193,045	-	-	-	-	-	2,794,745
IASA - Title I - School Improvement	4331	-	-	-	-	-	253,428	253,428
Title I Migrant Education	4340	-	-	-	-	-	-	45,719
Title IV Safe and Drug Free Schools	4400	-	-	-	-	-	-	569
Title IV - 21 Century CLC	4421	-	-	-	-	-	-	236,561
Fed Sp. Ed. - IDEA - Flow Through	4620	-	-	-	-	-	-	467,191
Fed Sp. Ed. - Preschool Flow Through	4600	-	-	-	-	-	-	36,606
Fed Sp. Ed. - IDEA - Room & Board	4625	-	-	-	-	-	-	144,016
ARRA-Title I-Low Income	4851	-	-	-	-	-	-	25,703
ARRA - Title I - Professional Development	4854	-	-	-	-	-	-	86,561
ARRA - School Improvement	4855	-	-	-	-	-	-	1,553,093
ARRA -Fed Sp. Ed. - Preschool Flow Through	4856	-	-	-	-	-	-	13,100
ARRA - Fed Sp. Ed. - IDEA - Room & Board	4857	-	-	-	-	-	-	100,517
ARRA-Tech-Enhancing Education	4861	-	-	-	-	-	-	20,682
ARRA - Education Jobs Fund Program	4880	69,250	-	-	-	-	-	422,982
Title II - Teacher Quality	4932	7,491	-	-	-	-	-	457,830
National Forest Reserve	N/A	217	-	-	-	-	-	763
Interest	N/A	-	-	-	-	-	-	3,966
		<u>\$ 1,454,120</u>	<u>\$ 56,323</u>	<u>\$ 209,893</u>	<u>\$ 89,412</u>	<u>\$ 363,858</u>	<u>\$ 253,428</u>	<u>\$ 53,290,737</u>

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2012

<u>Federal Grantor/Pass Through Grantor, Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Project # or Contract #</u>	<u>Expenditures 7/1/11-6/30/12</u>
U.S. Department of Education			
Passed through Illinois Community College Board			
Adult Education - Basic Grants to States			
Adult Education - Federal Basic	84.002A	531AA	\$ 169,982
U.S. Department of Education			
Passed through Illinois State Board of Education			
Title I Grants to Local Educational Agencies			
System of Support Title I - School Improvement & Accountability	84.010A	11-4331-SS	54,646 (M)
System of Support Title I - School Improvement & Accountability	84.010A	12-4331-SS	553,418 (M)
Total Title I Grants to Local Educational Agencies			<u>608,064</u>
Migrant Education - State Grant Programs			
Title I - Migrant Education	84.011A	11-4340-01	25,631
Title I - Migrant Education	84.011A	12-4340-01	11,133
Total Migrant Education - State Grant Programs			<u>36,764</u>
Migrant Education - Coordination Program			
Title I - Migrant Incentive Grant	84.144F	11-4341-00	2,148
Title I - Migrant Incentive Grant	84.144F	12-4341-01	1,034
Total Migrant Education - Coordination Program			<u>3,182</u>
ARRA - Education Jobs Fund Program			
Project Year 2011	84.410A	11-4880-92	26,735
Project Year 2011	84.410A	11-4880-93	8,825
Project Year 2012	84.410A	12-4880-92	402
Project Year 2012	84.410A	12-4880-93	133
Total ARRA - Education Jobs Fund Program			<u>36,095</u>
Total passed through Illinois State Board of Education			<u>684,105</u>
Passed through Regional Office of Education #21:			
Education for Homeless Children and Youth Cluster			
Education for Homeless Children and Youth			
McKinney Education for Homeless Children	84.196A	12-4920-00	10,832
Total Education for Homeless Children and Youth Cluster			<u>10,832</u>
Total passed through Regional Office of Education #21			<u>10,832</u>
Total U.S. Department of Education			<u>864,919</u>
U.S. Department of Agriculture			
Passed through Illinois State Board of Education:			
School Nutrition Cluster			
School Breakfast Program	10.553	11-4220-00	1,338
School Breakfast Program	10.553	12-4220-00	7,597
Total School Breakfast Program			<u>8,935</u>
National School Lunch Program	10.555	11-4210-00	2,454
National School Lunch Program	10.555	12-4210-00	14,151
Total National School Lunch Program			<u>16,605</u>
Total School Nutrition Cluster passed through Illinois State Board of Education			<u>25,540</u>
Total U.S. Department of Agriculture			<u>25,540</u>
Total Expenditures of Federal Awards			<u>\$ 890,459</u>

(M) Program was audited as a major program.

The accompanying notes are an integral part of this schedule.

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2012

1 REPORTING ENTITY BASIS OF PRESENTATION AND ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Regional Office of Education #2 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented on this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2 SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Regional Office of Education #2 provided federal awards to subrecipients as follows:

Program title: System of Support Title I - School Improvement & Accountability
Federal CFDA # 84.010A
Amount provided to subrecipients: \$385,714

3 DESCRIPTION OF MAJOR FEDERAL PROGRAM

System of Support Title I - School Improvement & Accountability - This program is designed to provide assistance to those schools/districts that do not meet Adequate Yearly Progress (AYP) as defined by the No Child Left Behind Act.

4 NON-CASH ASSISTANCE

None

5 AMOUNT OF INSURANCE

None

6 LOANS OR LOAN GUARANTEES OUTSTANDING

None