

**STATE OF ILLINOIS
HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**FINANCIAL AUDIT
For the year ended June 30, 2014**

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

OFFICIALS

Regional Superintendent (current and during the audit period).....Mr. Ron Daniels

Assistant Regional Superintendent (current and during the audit period) Ms. Melanie Andrews

Office is located at:

Jefferson County Office
1714 Broadway
Mt. Vernon, IL 62864

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

FINANCIAL REPORT SUMMARY

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	5	6
Repeated audit findings	4	6
Prior recommendations implemented or not repeated	2	4

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

SUMMARY OF FINDINGS AND RESPONSES

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
2014-001	10	Controls over Financial Statement Preparation	Material Weakness
2014-002	12	Internal Controls over Payroll and Grant Compliance	Significant Deficiency and Compliance
2014-003	15	Internal Controls over Cash Disbursements	Significant Deficiency
2014-004	17	Internal Controls over Restricted Cash	Significant Deficiency and Compliance
2014-005	18	Excess Working Cash in Internal Service Fund	Compliance
PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)			
2013-002		Inadequate Controls over Cash	Material Weakness

EXIT CONFERENCE

The Hamilton and Jefferson Counties Regional Office of Education No. 25 opted not to have a formal exit conference during the financial audit for the year ended June 30, 2014. Throughout the audit, numerous meetings were held between the auditors and Regional Office officials to discuss matters contained in this audit report. Responses to the recommendations were provided by the Regional Office of Education on November 24, 2014.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of the Hamilton and Jefferson Counties Regional Office of Education No. 25 was performed by West & Company, LLC.

Based on their audit, the auditors expressed an unmodified opinion on the Hamilton and Jefferson Counties Regional Office of Education No. 25's basic financial statements.

WEST & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS
&
CONSULTANTS

MEMBERS

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INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

Report on the Financial Statements

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 Hamilton and Jefferson Counties Regional Office of Education No. 25, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Hamilton and Jefferson Counties Regional Office of Education No. 25's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Hamilton and Jefferson Counties Regional Office of Education No. 25's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Hamilton and Jefferson Counties Regional Office of Education No. 25, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20, the Hamilton and Jefferson Counties Regional Office of Education No. 25 will disband effective July 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Illinois Municipal Retirement Fund - Schedule of Funding Progress on page 62 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be a presented to supplement the basic financial statements. Such missing 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 the appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hamilton and Jefferson Counties Regional Office of Education No. 25's basic financial statements. The combining schedules of accounts, the budgetary comparison schedules, and the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules of accounts, the budgetary comparison schedules, and the combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 schedules of accounts, the budgetary comparison schedules, and the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2015 on our consideration of the Hamilton and Jefferson Counties Regional Office of Education No. 25'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* in considering Hamilton and Jefferson Counties Regional Office of Education No. 25's internal control over financial reporting and compliance.

West & Company, LLC

Mattoon, Illinois
January 15, 2015

WEST & COMPANY, LLC

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CONSULTANTS

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

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hamilton and Jefferson Counties Regional Office of Education No. 25, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Hamilton and Jefferson Counties Regional Office of Education No. 25's basic financial statements, and have issued our report thereon dated January 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hamilton and Jefferson Counties Regional Office of Education No. 25's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Hamilton and Jefferson Counties Regional Office of Education No. 25's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hamilton and Jefferson Counties Regional Office of Education No. 25's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as finding 2014-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in in the accompanying Schedule of Findings and Responses as findings 2014-002, 2014-003, and 2014-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hamilton and Jefferson Counties Regional Office of Education No. 25'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as findings 2014-002, 2014-004, and 2014-005.

Hamilton and Jefferson Counties Regional Office of Education No. 25's Responses to Findings

The Hamilton and Jefferson Counties Regional Office of Education No. 25's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Hamilton and Jefferson Counties Regional Office of Education No. 25's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hamilton and Jefferson Counties Regional Office of Education No. 25's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hamilton and Jefferson Counties Regional Office of Education No. 25's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

West & Company, LLC

Mattoon, Illinois
January 15, 2015

SCHEDULE OF FINDINGS AND RESPONSES

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION I - SUMMARY OF AUDITORS' RESULTS
For the year ended June 30, 2014**

Section I - Summary of Auditors' Results

Financial statements

Type of auditors' report issued:

UNMODIFIED

Internal control over financial reporting:

- Material weakness(es) identified?

X yes no

- Significant deficiency(ies) identified?

X yes none reported

Noncompliance material to financial
statements noted?

X yes no

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2014**

Section II - Financial Statement Findings

FINDING NO. 2014-001 – Controls over Financial Statement Preparation (Partial Repeat of Finding 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-05)

Criteria/Specific Requirement:

The Hamilton and Jefferson Counties Regional Office of Education No. 25 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office of Education No. 25's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments* (Statement), requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental funds balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, the Statement requires information about the government's major and nonmajor funds in the aggregate, to be provided in the fund financial statements.

Condition:

The Regional Office of Education No. 25 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting and posts year-end accrual entries for financial statement purposes. The Regional Office does not have sufficient internal controls over the processing of some accounting transactions. There are not sufficient controls over the preparation/review of 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 errors and 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 capital assets or deferred inflows of resources - unavailable revenue.
- Numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.

Effect:

The Regional Office of Education No. 25 management or its 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.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2014**

Section II - Financial Statement Findings (Continued)

FINDING NO. 2014-001 – Controls over Financial Statement Preparation (Partial Repeat of Finding 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-05) (Continued)

Cause:

According to Regional Office of Education No. 25 management, the limited resources of the office have led to the bookkeeper being employed on a part-time basis. The office is continuing to learn the required procedures to properly maintain internal controls and GAAP based financial reporting.

Auditors' Recommendation:

As a part of its internal control over the preparation of financial statements, including disclosures, the Regional Office of Education No. 25 should implement comprehensive preparation and/or review procedures to ensure the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

Management's Response:

The Regional Office of Education No. 25 understands the nature of this finding with a part-time bookkeeper. The Regional Office will continue to receive training for GAAP accounting procedures and has employed an individual accountant to help prepare and review the Regional Office's financial statements.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2014**

Section II - Financial Statement Findings (Continued)

FINDING NO. 2014-002 – Internal Controls over Payroll and Grant Compliance (Partial Repeat of Finding 13-003, 13-004, 12-05, and 11-06)

Criteria/Specific Requirement:

The *Regional Office of Education (ROE) Accounting Manual* (Section XIV) general policies concerning payroll procedures states that a master record should be maintained on each employee or contractor for federal and state reporting purposes. The master payroll record should contain at least the following: employee name, social security number, address, date of hire, rate of pay, and terms of contract/agreement.

In addition, the *ROE Accounting Manual* (Section XIV) states all payroll costs should be supported by time and effort attendance records (prepared at least monthly and signed by the employee) that account for the total activity for which each employee is compensated. Only actual payroll costs supported by time sheets should be charged to each Source of Funds.

The Teachers' Retirement System of the State of Illinois (TRS) Employer Guide states that every TRS employer is required to file an Annual Report of Earnings with TRS each fiscal year. This report provides the information necessary to establish and record earned service credit, salary rates, creditable earnings, and contributions for members.

Condition:

During the course of the audit, auditors noted that certain employees' assigned functions included tasks for various programs, but their salaries and benefits were not allocated based on actual time and effort spent on those programs.

During the review of payroll, auditors tested thirty-four (34) employees, covering twenty-four (24) payroll periods, and noted the following exceptions:

- In three (3) of the thirty-four (34) (9%) employees tested, employment contracts for the pay periods tested were not available. Upon further review, it was noted that a total of nine (9) of the thirty-four (34) (26%) employees had changed contracts in September 2013. The employment contracts for these 9 employees, covering the period from July 1, 2013 to August 31, 2013, were removed from the files and disposed of when new contracts were signed.
- In five (5) of the six (6) (83%) employees tested that were paid from multiple funds, including grants, adequate time and effort sheets were not maintained so that salary could be allocated based on actual costs. The sixth employee who kept time and effort sheets did not appear to have her pay allocated properly between the funds that she worked on.
- Six (6) certified employees were omitted from the TRS Annual Report of Earnings.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2014**

Section II - Financial Statement Findings (Continued)

FINDING NO. 2014-002 – Internal Controls over Payroll and Grant Compliance (Partial Repeat of Finding 13-003, 13-004, 12-05, and 11-06) (Continued)

Effect:

The absence of a sound system of internal controls over payroll can result in inaccurate reporting of payroll expenditures in the financial statements and/or within specific funds. Without time and effort sheets showing the time spent on each program, the allocation of employees' time across funds cannot be accurately determined. Grant programs may have been over or under allocated for salary and benefit expenses. The year-end report filed with TRS was incomplete, which could affect the members' retirement records.

Cause:

Per the Regional Superintendent, new contracts had been signed in September and the original contracts covering the July and August payrolls were destroyed.

The Regional Office believed documenting that an employee worked on various programs each day was sufficient support to allocate time and effort across funds, rather than documenting the number of hours worked.

Per the bookkeeper, the TRS report was prepared using a list of certified employees as printed from the Regional Office's payroll system. Four (4) of the omitted employees were inadvertently not marked as certified in the payroll system and, as such, were not included in the list used to prepare the TRS report. The other two omitted employees were missed when preparing the TRS report.

Auditors' Recommendation:

The Regional Office of Education No. 25 should implement proper controls over payroll. All payroll documentation related to the period under audit should be retained in employees' files. Time and effort sheets should be completed and maintained to allocate actual costs to each fund, including grants, accordingly. The Regional Superintendent should approve payroll only after proper fund allocation has been determined. Employee information in the payroll software should be reviewed for accuracy.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2014**

Section II - Financial Statement Findings (Continued)

FINDING NO. 2014-002 – Internal Controls over Payroll and Grant Compliance (Partial Repeat of Finding 13-003, 13-004, 12-05, and 11-06) (Continued)

Management's Response:

The Regional Superintendent always approves any salary paid to employees. At the beginning of fiscal year 2014, grant and state funding levels were not known. When the financial funding was known, a decrease in salaries was made by the Regional Superintendent and contracts were reduced from the previous year. With limited resources, several employees are paid from multiple grant and funding sources. Although the work load for each assignment may vary year to year, the employee still completes the assigned tasks required by the program. The Regional Office will continue to work with auditors to determine the best method to monitor time commitments.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2014**

Section II - Financial Statement Findings (Continued)

FINDING NO. 2014-003 – Internal Controls over Cash Disbursements (Partial Repeat of Finding 13-005, 12-08, and 11-09)

Criteria/Specific Requirement:

The *Regional Office of Education (ROE) Accounting Manual* (Foreword) establishes that the Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system that provides reasonable assurance about the reliability of its GAAP financial statements, operational compliance with legal and contractual provisions, safeguarding of assets, and effectiveness and efficiency of ROE operations.

Regional Office of Education No. 25 policies and procedures indicate that all cash disbursements, other than those for payment on regular monthly bills, travel reimbursements, or claims for payment, would be initiated through the preparation of a purchase order. The purchase order would be matched to the invoice and then subsequently entered into the general ledger for payment.

Condition:

During the detail testing of cash disbursements, auditors noted that sixteen (16) of fifty-seven (57) (28%) purchase orders were dated later than the date of the invoice. Upon discussion with the Regional Superintendent, auditors found that purchase orders are not prepared until the invoice is received. The Regional Superintendent gives verbal approval for purchases, but there is no documentation of approval prior to purchases being made.

Effect:

The lack of documentation could result in the occurrence of transactions that are not approved by the Regional Superintendent. There would be no records available to show if prior approval had been granted.

Cause:

The Regional Office of Education No. 25 did not follow established procedures for internal control over cash disbursements.

Auditors' Recommendation:

The Regional Office of Education No. 25's management should ensure the Regional Office follows its established internal control procedures over cash disbursements to prevent errors and fraud. All disbursements made by the Regional Office should be supported by sufficient documentation.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2014**

Section II - Financial Statement Findings (Continued)

FINDING NO. 2014-003 – Internal Controls over Cash Disbursements (Partial Repeat of Finding 13-005, 12-08, and 11-09) (Continued)

Management's Response:

There are no disbursements made without the Regional Superintendent's approval. Purchases have always been pre-approved, either verbally or in writing. The Regional Office will adjust its policy and procedures to ensure purchases include a written prior approval.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2014**

Section II - Financial Statement Findings (Continued)

FINDING NO. 2014-004 – Internal Controls over Restricted Cash

Criteria/Specific Requirement:

Illinois statute (105 ILCS 5/3-12) restricts the use of Institute Fund monies to defray expenses associated with the work of the regional professional development committees; to defray expenses connected with improving the technology necessary for the efficient processing of certificates; to defray all costs associated with the administration of teaching certificates; to defray expenses incidental to teachers' institutes, workshops or meetings of a professional nature that are designed to promote the professional growth of teachers; or to defray the expense of any general or special meeting of teachers or school personnel of the region, which has been approved by the regional superintendent.

Condition:

The Regional Office pools most of its cash in one bank account. With such an account, funds with deficit cash balances are considered to have borrowed cash from other funds to cover their expenditures. At June 30, 2014, the Regional Office reported deficit cash balances in several of its funds. Cash from the Institute Fund was reduced by \$9,453 to cover these deficit balances. Loans to other funds are an unauthorized use of Institute Fund monies.

Effect:

The Regional Office was not in compliance with Illinois statute 105 ILCS 5/3-12.

Cause:

Several of the Regional Office's programs operate on a reimbursement basis, creating a period during which the program has paid expenditures for which it has not received funding. The unrestricted funds available were not sufficient to cover the deficit cash balances.

Auditors' Recommendation:

The Regional Office should initiate procedures to monitor cash and ensure that Institute Fund cash is expended only for purposes as noted in Illinois statute 105 ILCS 5/3-12. In addition, the Regional Office should make transfers from funds with unrestricted cash and/or seek lines of credit to pay expenditures for reimbursable programs that have insufficient cash.

Management's Response:

The Regional Office of Education No. 25 understands the nature of the finding. With limited financial resources, the Regional Superintendent will work with the bookkeeper to closely monitor available funds in each account and ensure that unrestricted funds are used to cover programs that have insufficient cash when payments are delayed by the State.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2014**

Section II - Financial Statement Findings (Continued)

FINDING NO. 2014-005 – Excess Working Cash in Internal Service Fund (Partial Repeat of Finding 13-006, 12-09, 11-13, 10-03, and 09-03)

Criteria/Specific Requirement:

Internal Service Funds are used to account for the Regional Office of Education No. 25's administrative services, which are provided to many of the Regional Office's funds. Revenue is generated through charges to other funds using inter-fund billings. Regulations set forth by *OMB Circular A-87 (Revised 5/10/04)* require charges by an internal service activity to provide for the establishment and maintenance of a reasonable level of working capital reserve. In addition, the full recovery of costs is allowable. A working capital reserve of up to 60 days cash expenses for normal operating purposes is considered reasonable. A working capital reserve exceeding 60 days may be maintained for exceptional cases; however, it requires approval of the cognizant Federal agency.

In addition, *OMB Circular A-87* states that if the entity's revenues exceed allowable costs, an adjustment must be made by: a) a cash refund to the Federal Government for the Federal share of the adjustment, b) credits to the amounts charged to the individual programs, c) adjustments to future billing rates, or d) adjustments to allocated central service costs.

Condition:

Over the last two years, average annual expenses within the Employee Benefits Fund, an Internal Service Fund, were \$191,215. Employee Benefits Fund cash at June 30, 2014, totaled \$50,741, representing approximately 97 days of average expenses.

Effect:

During the year ended June 30, 2014, the indirect cost rates charged to the Employee Benefits Fund were reduced; however, the adjustment was not sufficient to reduce the working capital reserve to an acceptable level. The Regional Office is not in compliance with *OMB Circular A-87*.

Cause:

The Regional Office of Education No. 25's prior years' indirect cost rate was too high, as the calculation included funding for future expenditures.

Auditors' Recommendation:

The Regional Office of Education No. 25 should examine and adjust the indirect cost rate as needed and provide credits to the individual programs overcharged in prior years.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2014**

Section II - Financial Statement Findings (Continued)

FINDING NO. 2014-005 – Excess Working Cash in Internal Service Fund (Partial Repeat of Finding 13-006, 12-09, 11-13, 10-03, and 09-03) (Continued)

Management's Response:

The Regional Office of Education No. 25 understands the finding that an Internal Service Fund should not maintain a working capital reserve exceeding 60 days. This condition was created prior to the Regional Superintendent assuming his current duties and for the past two years payment to this fund has been stopped from all programs. Without any payment into this fund for the past two years, the balance still exceeded the reasonable level of working capital reserve, so working with the external accountant and the auditors, the Regional Superintendent will follow other procedures to reduce this fund's balance.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the year ended June 30, 2014**

Corrective Action Plan

FINDING NO. 2014-001 – Controls over Financial Statement Preparation (Partial Repeat of Finding 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-05)

Condition:

The Regional Office of Education No. 25 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting and posts year-end accrual entries for financial statement purposes. The Regional Office does not have sufficient internal controls over the processing of some accounting transactions. There are not sufficient controls over the preparation/review of 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 errors and 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 capital assets or deferred inflows of resources - unavailable revenue.
- Numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.

Plan:

With limited funding the Regional Office will continue to implement and adjust current procedures and controls to ensure accurate records. An external accountant has been employed to guide the bookkeeper in proper accounting procedures.

Anticipated Date of Completion:

May 31, 2015

Name of Contact Person:

Regional Superintendent – Ron Daniels

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the year ended June 30, 2014**

Corrective Action Plan (Continued)

FINDING NO. 2014-002 – Internal Controls over Payroll and Grant Compliance (Partial Repeat of Finding 13-003, 13-004, 12-05, and 11-06)

Condition:

During the course of the audit, auditors noted that certain employees' assigned functions included tasks for various programs, but their salaries and benefits were not allocated based on actual time and effort spent on those programs.

During the review of payroll, auditors tested thirty-four (34) employees, covering twenty-four (24) payroll periods, and noted the following exceptions:

- In three (3) of the thirty-four (34) (9%) employees tested, employment contracts for the pay periods tested were not available. Upon further review, it was noted that a total of nine (9) of the thirty-four (34) (26%) employees had changed contracts in September 2013. The employment contracts for these 9 employees, covering the period from July 1, 2013 to August 31, 2013, were removed from the files and disposed of when new contracts were signed.
- In five (5) of the six (6) (83%) employees tested that were paid from multiple funds, including grants, adequate time and effort sheets were not maintained so that salary could be allocated based on actual costs. The sixth employee who kept time and effort sheets did not appear to have her pay allocated properly between the funds that she worked on.
- Six (6) certified employees were omitted from the TRS Annual Report of Earnings.

Plan:

The Regional Superintendent will implement and monitor a more detailed use of time and effort sheets. Changes made to any employee contracts will be noted and kept on file. The Regional Superintendent will closely monitor reports submitted by the bookkeeper.

Anticipated Date of Completion:

December 2014

Name of Contact Person:

Regional Superintendent – Ron Daniels

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the year ended June 30, 2014**

Corrective Action Plan (Continued)

FINDING NO. 2014-003 – Internal Controls over Cash Disbursements (Partial Repeat of Finding 13-005, 12-08, and 11-09)

Condition:

During the detail testing of cash disbursements, auditors noted that sixteen (16) of fifty-seven (57) (28%) purchase orders were dated later than the date of the invoice. Upon discussion with the Regional Superintendent, auditors found that purchase orders are not prepared until the invoice is received. The Regional Superintendent gives verbal approval for purchases, but there is no documentation of approval prior to purchases being made.

Plan:

The Regional Superintendent will modify the purchasing process. All purchases will require either a written pre-approval form or a completed purchase order before purchases are made.

Anticipated Date of Completion:

October 2014

Name of Contact Person:

Regional Superintendent – Ron Daniels

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the year ended June 30, 2014**

Corrective Action Plan (Continued)

FINDING NO. 2014-004 – Internal Controls over Restricted Cash

Condition:

The Regional Office pools most of its cash in one bank account. With such an account, funds with deficit cash balances are considered to have borrowed cash from other funds to cover their expenditures. At June 30, 2014, the Regional Office reported deficit cash balances in several of its funds. Cash from the Institute Fund was reduced by \$9,453 to cover these deficit balances. Loans to other funds are an unauthorized use of Institute Fund monies.

Plan:

The Regional Office's bookkeeper will work closely with the external accountant to monitor the use of only unrestricted funds to cover programs that have insufficient cash available.

Anticipated Date of Completion:

October 2014

Name of Contact Person:

Regional Superintendent – Ron Daniels

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the year ended June 30, 2014**

Corrective Action Plan (Continued)

FINDING NO. 2014-005 – Excess Working Cash in Internal Service Fund (Partial Repeat of Finding 13-006, 12-09, 11-13, 10-03, and 09-03)

Condition:

Over the last two years, average annual expenses within the Employee Benefits Fund, an Internal Service Fund, were \$191,215. Employee Benefits Fund cash at June 30, 2014, totaled \$50,741, representing approximately 97 days of average expenses.

Plan:

The Regional Superintendent will work with the external accountant to reduce the funds in this account by either billing off other appropriate expenditures to this account or crediting individual programs overcharged in prior years.

Anticipated Date of Completion:

May 2015

Name of Contact Person:

Regional Superintendent – Ron Daniels

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2014**

Finding Number	Condition	Current Status
2013-001	Controls over Financial Statement Preparation	Partially repeated as finding 2014-001
2013-002	Inadequate Controls over Cash	Resolved
2013-003	Internal Controls over Payroll	Partially repeated as finding 2014-002
2013-004	Internal Controls over Grant Compliance	Partially repeated as finding 2014-002
2013-005	Internal Controls over Cash Disbursements	Partially repeated as finding 2014-003
2013-006	Excess Working Cash in Internal Service Fund	Partially repeated as finding 2014-005

BASIC FINANCIAL STATEMENTS

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**STATEMENT OF NET POSITION
June 30, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 27,375	\$ -	\$ 27,375
Accounts receivable	1,734	-	1,734
Due from other governments	161,463	1,652	163,115
Internal balances	47,585	(47,585)	-
Total current assets	238,157	(45,933)	192,224
Noncurrent assets:			
Capital assets, net	688,451	-	688,451
Total assets	926,608	(45,933)	880,675
LIABILITIES			
Current liabilities:			
Accounts payable	66,021	2,255	68,276
Accrued salaries and benefits	178,533	-	178,533
Due to other governments	12,363	-	12,363
Current portion of long-term debt	17,691	-	17,691
Total current liabilities	274,608	2,255	276,863
Noncurrent liabilities:			
Net pension obligation payable	23,450	-	23,450
Long-term debt, net of current portion	374,166	-	374,166
Total noncurrent liabilities	397,616	-	397,616
Total liabilities	672,224	2,255	674,479
NET POSITION			
Net investment in capital assets	296,594	-	296,594
Unrestricted	(42,210)	(48,188)	(90,398)
Total net position	\$ 254,384	\$ (48,188)	\$ 206,196

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**STATEMENT OF ACTIVITIES
For the year ended June 30, 2014**

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Governmental activities:						
Instructional services:						
Salaries and benefits	\$ 1,061,075	\$ -	\$ 727,079	\$ (333,996)	\$ -	\$ (333,996)
Purchased services	336,193	-	152,943	(183,250)	-	(183,250)
Supplies and materials	69,019	-	11,800	(57,219)	-	(57,219)
Capital outlay	-	-	2,500	2,500	-	2,500
Depreciation	24,200	-	-	(24,200)	-	(24,200)
Debt service:						
Interest on long-term debt	23,534	-	-	(23,534)	-	(23,534)
Administrative:						
On-behalf payments - State	525,615	-	-	(525,615)	-	(525,615)
Total governmental activities	<u>2,039,636</u>	<u>-</u>	<u>894,322</u>	<u>(1,145,314)</u>	<u>-</u>	<u>(1,145,314)</u>
Business-type activities:						
Other	78,388	58,817	-	-	(19,571)	(19,571)
Total business-type activities	<u>78,388</u>	<u>58,817</u>	<u>-</u>	<u>-</u>	<u>(19,571)</u>	<u>(19,571)</u>
Total primary government	<u>\$ 2,118,024</u>	<u>\$ 58,817</u>	<u>\$ 894,322</u>	<u>(1,145,314)</u>	<u>(19,571)</u>	<u>(1,164,885)</u>
General revenues:						
Local sources				417,422	-	417,422
On-behalf payments - State				525,615	-	525,615
Investment earnings				275	-	275
Insurance recoveries				28,608	-	28,608
Total general revenues				<u>971,920</u>	<u>-</u>	<u>971,920</u>
Change in net position				(173,394)	(19,571)	(192,965)
Net position - beginning of year				427,778	(28,617)	399,161
Net position - end of year				<u>\$ 254,384</u>	<u>\$ (48,188)</u>	<u>\$ 206,196</u>

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

	General Fund	Education Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 9,754	\$ 6,212	\$ 11,409	\$ 27,375
Accounts receivable	1,674	-	-	1,674
Due from other funds	228,586	-	8,461	237,047
Due from other governments	78,066	76,683	-	154,749
	<u>318,080</u>	<u>82,895</u>	<u>19,870</u>	<u>420,845</u>
Total assets				
	<u>\$ 318,080</u>	<u>\$ 82,895</u>	<u>\$ 19,870</u>	<u>\$ 420,845</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 60,145	\$ 2,872	\$ 58	\$ 63,075
Accrued salaries and benefits	119,098	44,721	-	163,819
Due to other funds	-	133,970	-	133,970
Due to other governments	12,260	103	-	12,363
	<u>191,503</u>	<u>181,666</u>	<u>58</u>	<u>373,227</u>
Total liabilities				
	<u>191,503</u>	<u>181,666</u>	<u>58</u>	<u>373,227</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	<u>31,833</u>	<u>-</u>	<u>-</u>	<u>31,833</u>
FUND BALANCES				
Restricted	-	6,207	20,862	27,069
Assigned	16,462	-	-	16,462
Unassigned	<u>78,282</u>	<u>(104,978)</u>	<u>(1,050)</u>	<u>(27,746)</u>
	<u>94,744</u>	<u>(98,771)</u>	<u>19,812</u>	<u>15,785</u>
Total fund balances (deficits)				
	<u>94,744</u>	<u>(98,771)</u>	<u>19,812</u>	<u>15,785</u>
Total liabilities, deferred inflows of resources, and fund balances				
	<u>\$ 318,080</u>	<u>\$ 82,895</u>	<u>\$ 19,870</u>	<u>\$ 420,845</u>

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2014**

Total fund balances - governmental funds	\$	15,785
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Some revenues will not be collected for several months after the Regional Office's fiscal year ends; they are considered "unavailable" revenues and are deferred inflows of resources in the governmental funds.</p>		31,833
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
<p>Capital assets, net</p>	\$ 688,451	
<p>Less internal service fund net assets included in internal service fund net position below</p>	(658,265)	30,186
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position. Internal service fund net position is:</p>		176,580
Net position of governmental activities	\$	254,384

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ending June 30, 2014**

	General Fund	Education Fund	Other Nonmajor Funds	Total Governmental Funds
Revenues:				
Local sources	\$ 344,437	\$ 77,658	\$ 18,840	\$ 440,935
State sources	342,172	493,309	688	836,169
Federal sources	-	62,461	-	62,461
On-behalf payments	525,615	-	-	525,615
Interest	275	-	-	275
Total revenues	1,212,499	633,428	19,528	1,865,455
Expenditures:				
Instructional services:				
Salaries and benefits	544,457	510,518	5,780	1,060,755
Purchased services	188,730	126,285	3,729	318,744
Supplies and materials	57,590	11,269	160	69,019
On-behalf payments	525,615	-	-	525,615
Capital outlay	2,500	-	-	2,500
Total expenditures	1,318,892	648,072	9,669	1,976,633
Excess (deficiency) of revenues over (under) expenditures	(106,393)	(14,644)	9,859	(111,178)
Other financing sources (uses):				
Transfers in	-	48	-	48
Transfers out	(48)	-	-	(48)
Total other financing sources (uses)	(48)	48	-	-
Net change in fund balances	(106,441)	(14,596)	9,859	(111,178)
Fund balances (deficits), beginning of year	201,185	(84,175)	9,953	126,963
Fund balances (deficits), end of year	<u>\$ 94,744</u>	<u>\$ (98,771)</u>	<u>\$ 19,812</u>	<u>\$ 15,785</u>

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**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, 2014**

Net change in fund balances - governmental funds \$ (111,178)

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

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

Current fiscal year revenues that will not be collected within 60 days of the Regional Office's fiscal year end are considered deferred inflows of resources in the fund statements. \$ 31,833

Prior year deferred inflows of resources that are recorded as revenue in the fund statements in the current fiscal year. (59,654) (27,821)

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

Capital outlay \$ 2,500
Depreciation expense (5,005) (2,505)

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities. (31,890)

Change in net position - governmental activities \$ (173,394)

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014**

	Business-Type Activities				Governmental Activities
	Enterprise Funds				
	Mt. Vernon Conference	Testing	Other Nonmajor Fund- Finger Printing	Total	Internal Service Funds
ASSETS					
Current assets:					
Accounts receivable	\$ -	\$ -	\$ -	\$ -	\$ 60
Due from other funds	-	-	7,987	7,987	-
Due from other governments	-	1,652	-	1,652	6,714
Total current assets	-	1,652	7,987	9,639	6,774
Noncurrent assets:					
Capital assets, net	-	-	-	-	658,265
Total assets	-	1,652	7,987	9,639	665,039
LIABILITIES					
Current liabilities:					
Accounts payable	-	2,005	250	2,255	2,946
Accrued salaries and benefits	-	-	-	-	14,714
Due to other funds	30,495	25,077	-	55,572	55,492
Current portion of long-term debt	-	-	-	-	17,691
Total current liabilities	30,495	27,082	250	57,827	90,843
Noncurrent liabilities:					
Net pension obligation payable	-	-	-	-	23,450
Long-term debt, net of current portion	-	-	-	-	374,166
Total noncurrent liabilities	-	-	-	-	397,616
Total liabilities	30,495	27,082	250	57,827	488,459
NET POSITION					
Net investment in capital assets	-	-	-	-	266,408
Unrestricted	(30,495)	(25,430)	7,737	(48,188)	(89,828)
Total net position	\$ (30,495)	\$ (25,430)	\$ 7,737	\$ (48,188)	\$ 176,580

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended June 30, 2014**

	Business-Type Activities			Governmental Activities	
	Enterprise Funds				
	Mt. Vernon Conference	Testing	Other Nonmajor Fund- Finger Printing	Total	Internal Service Funds
Operating revenues:					
Charges for services	\$ 33,920	\$ 5,728	\$ 19,169	\$ 58,817	\$ 210,848
Operating expenses:					
Salaries and benefits	6,387	-	13,479	19,866	20,267
Purchased services	39,078	9,706	8,991	57,775	194,336
Supplies and materials	747	-	-	747	3,501
Depreciation	-	-	-	-	19,195
Total operating expenses	46,212	9,706	22,470	78,388	237,299
Operating loss	(12,292)	(3,978)	(3,301)	(19,571)	(26,451)
Nonoperating revenues (expenses):					
Interest expense	-	-	-	-	(23,534)
Insurance recoveries	-	-	-	-	28,608
Restoration of impaired capital asset	-	-	-	-	(10,513)
Total nonoperating revenues (expenses)	-	-	-	-	(5,439)
Change in net position	(12,292)	(3,978)	(3,301)	(19,571)	(31,890)
Net position - beginning of year	(18,203)	(21,452)	11,038	(28,617)	208,470
Net position - end of year	\$ (30,495)	\$ (25,430)	\$ 7,737	\$ (48,188)	\$ 176,580

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended June 30, 2014**

	Business-Type Activities				Governmental Activities
	Enterprise Funds				
			Other Nonmajor Fund- Finger Printing		
	Mt. Vernon Conference	Testing		Total	Internal Service Funds
Cash flows from operating activities:					
Collection of fees	\$ 36,669	\$ 4,076	\$ 19,415	\$ 60,160	\$ 208,359
Payments to suppliers and providers of goods and services	(39,825)	(12,446)	(9,497)	(61,768)	(195,813)
Payments to employees	(6,387)	-	(13,479)	(19,866)	(7,978)
Net cash provided (used) by operating activities	<u>(9,543)</u>	<u>(8,370)</u>	<u>(3,561)</u>	<u>(21,474)</u>	<u>4,568</u>
Cash flows from noncapital financing activities:					
Receipts (payments) from (for) interfund borrowings, net	<u>9,543</u>	<u>8,370</u>	<u>(7,987)</u>	<u>9,926</u>	<u>(85,393)</u>
Net cash provided (used) by noncapital financing activities	<u>9,543</u>	<u>8,370</u>	<u>(7,987)</u>	<u>9,926</u>	<u>(85,393)</u>
Cash flows from capital and related financing activities:					
Insurance recoveries	-	-	-	-	28,608
Restoration of impaired capital asset	-	-	-	-	(10,513)
Principal paid on capital debt	-	-	-	-	(15,747)
Interest paid on capital debt	-	-	-	-	(23,534)
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,186)</u>
Net decrease in cash and cash equivalents	-	-	(11,548)	(11,548)	(102,011)
Cash and cash equivalents - beginning	<u>-</u>	<u>-</u>	<u>11,548</u>	<u>11,548</u>	<u>102,011</u>
Cash and cash equivalents - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**STATEMENT OF CASH FLOWS (Concluded)
PROPRIETARY FUNDS
For the year ended June 30, 2014**

	Business-Type Activities			Governmental Activities	
	Enterprise Funds				
	Mt. Vernon Conference	Testing	Other Nonmajor Fund- Finger Printing	Total	Internal Service Funds
Reconciliation of operating loss to net cash provided (used) by operating activities:					
Operating loss	\$ (12,292)	\$ (3,978)	\$ (3,301)	\$(19,571)	\$ (26,451)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:					
Depreciation	-	-	-	-	19,195
(Increase) decrease in assets:					
Accounts receivable	1,299	-	246	1,545	25
Due from other governments	1,450	(1,652)	-	(202)	(2,514)
Increase (decrease) in liabilities:					
Accounts payable	-	(2,740)	(506)	(3,246)	2,024
Accrued salaries and benefits	-	-	-	-	13,388
Net pension obligation payable	-	-	-	-	(1,099)
Net cash provided (used) by operating activities	<u>\$ (9,543)</u>	<u>\$ (8,370)</u>	<u>\$ (3,561)</u>	<u>\$(21,474)</u>	<u>\$ 4,568</u>

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 14,081
Due from other governments	<u>11,310</u>
Total assets	<u><u>\$ 25,391</u></u>
LIABILITIES	
Accounts payable	\$ 616
Due to other governments	<u>24,775</u>
Total liabilities	<u><u>\$ 25,391</u></u>

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

NOTES TO FINANCIAL STATEMENTS

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Regional Office of Education No. 25's accounting policies conform to generally accepted accounting principles which are appropriate to local governmental units of this type.

A. Reporting Entity

The Regional Office of Education No. 25 was created by Illinois Public Act 76-735, as amended, effective August 8, 1995. The region encompasses Hamilton and Jefferson counties.

The Regional Superintendent of Schools is the chief administrative officer of the region and is elected to the position for a four-year term. The Regional Superintendent is responsible for the supervision and control of the school districts.

The Regional Superintendent's responsibilities for administering the school educational service region programs include, but are not limited to, providing directions to teachers and school officials on science, art and teaching methods; implementing the State Board of Education's Policy Programs; encouraging camaraderie among teachers through the teachers' institute; making public notice of unfilled teaching positions within the region; and ensuring the safety, health and welfare of the students in the region by periodically inspecting the school buildings and ensuring that the bus drivers have valid driving licenses and are properly trained to operate the school buses. The Regional Superintendent is also responsible for apportionment and payment of funds received from the State for the districts in the region, or seeing that no payments are made unless the treasurer has filed or renewed appropriate bond and that the district has certified publication of the annual financial report.

The Regional Office of Education No. 25 derives its oversight power and authority over the school districts from the School Code and is responsible for its own fiscal and budgetary matters.

The Regional Office of Education No. 25 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the Regional Office of Education No. 25's geographic responsibility, including joint agreements which serve pupils from numerous school districts, should be included within its financial entity. The criteria include but are not limited to, whether the Regional Office of Education No. 25 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 Hamilton-Jefferson Educational Services Cooperative, which began operations on November 23, 1992, has been determined to be a blended component unit of the Regional Office of Education No. 25 for financial reporting purposes after applying the criteria of oversight, scope of public services, and special financing relationships and is therefore blended in the accompanying financial statements. The cooperative was formed by an intergovernmental agreement between the Regional Office of Education No. 25 and all schools, both public and nonpublic, in Hamilton and Jefferson counties. The cooperative is governed by a board of 8 voting members who are district superintendents in the Region and the Regional Superintendent, who is a non-voting member.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The cooperative exists to provide quality programs and services to students through the school districts of Hamilton and Jefferson counties or the Regional Superintendent. The Regional Superintendent of Schools of Hamilton and Jefferson counties serves as administrative agent. Separate financial statements are not issued for this blended component unit.

No other agencies have met the component unit criteria to be included in the Regional Office of Education No. 25's financial statements. In addition, the Regional Office of Education No. 25 is not aware of any entity that would exercise such oversight as to result in the Regional Office of Education No. 25 being considered a component unit of the entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. An exception to this general rule relates to interfund services provided by the internal service funds. Elimination of these charges would distort the direct costs reported for the various functions concerned. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position includes all of the Regional Office of Education No. 25's assets and liabilities, including capital assets. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

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 major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

Certain eliminations have been made as prescribed by governmental accounting standards 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 the proprietary fund Statement of Net Position, and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and on the proprietary fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds are eliminated on the government-wide financial statements. All internal balances in the Statement of Net Position have been eliminated.

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues from exchange transactions are recognized when they are earned, and expenses are recognized 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 provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become 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. The Regional Office of Education No. 25 considers revenues to be available if they are collectible within 60 days after year-end. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable, with the exception of expenditures for prepaid expenses and other long-term obligations, which are recognized as liabilities when due, as well as expenditures related to compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Revenues susceptible to accrual are recognized in the current fiscal period. Those revenues include local sources, State sources, federal sources, and interest. Unearned revenues arise when potential revenue does not meet both the measurable and available criteria or when resources are received prior to the government having legal claim to them. The revenues are subsequently recognized when both recognition criteria are met or when the government has legal claim to the resources. Revenue received after the Regional Office's availability period is reported as deferred inflows of resources - unavailable revenue in the fund statements and is reported as current revenue in the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Regional Office of Education No. 25's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

It is the Regional Office of Education No. 25's policy to first apply restricted resources when an expenditure or expense is incurred for which restricted and unrestricted resources are available. For unrestricted fund balances, committed fund balances are used first, then assigned fund balances, then unassigned, if any.

1. Governmental Funds

The Regional Office of Education No. 25 reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Regional Office of Education No. 25 and is used to account for all financial resources except those required to be accounted for and reported in another fund. This fund is available to pay general and administrative expenditures. Included in this fund are:

University College Classes - This fund provides the opportunity for teachers and administrators to earn graduate credit through participation in weekend classes in programs leading to advanced degrees. Programs currently offered include a Master's Degree in Educational Administration and a Master's or Specialist Degree in School Administration from EIU.

State Aid - This program accounts for aid provided by the state based on the students that attend the Alternative School and Safe School programs.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

1. Governmental Funds (Continued)

General Fund (Continued)

Special Projects - This fund accounts for the special events sponsored by the Regional Office of Education such as spelling bees, scholar bowl events, Teamquest, and other special events for students.

Office Operations - This fund accounts for the shared expenses incurred in the operation of the Regional Superintendent's office by Hamilton and Jefferson counties.

Parapro - This fund accounts for money paid to the Regional Office of Education by teacher aides for administering and scoring paraprofessional exams.

Regional In-Service Meeting - This fund accounts for local registration fees and expenses associated with school improvement meetings and activities hosted by the Regional Office of Education.

Southern Thirty - This is an educational program for the Southern Thirty Adolescent Center.

Hamilton-Jefferson Educational Services Cooperative - This fund accounts for the Regional Office of Education's operating accounts.

School Improvement - This fund accounts for a cooperative program that administers school improvement activities.

Education Fund - This Special Revenue 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:

ROE/ISC Technology - This program provides support and technical assistance to the Regional Office of Education and the Area 6 schools.

Illinois Violence Prevention Authority - This program is a fiscal agent for the 2nd Judicial Circuits Local Family Violence Coordinators Council and supports their efforts.

Early Childhood Block Grant (3705-70) - This program provides training for the parents of children ages 3 to kindergarten enrollment, assisting parents to become full partners in the education of their children.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

1. Governmental Funds (Continued)

Education Fund (Continued)

ROE/ISC Operations - This fund accounts for comprehensive services to improve education in the region in the areas of staff development, administrator academies, school improvement, and technology.

Regional Safe Schools - This program provides educational options for students that have been chronically suspended or are eligible for expulsion.

Truants Alternative and Optional Education - This program provides services for students that are truant, chronic truant, dropouts, and potential dropouts and provides options to regular school attendance (Alternative Schools) and/or attendance worker intervention designed to improve student attendance at school and prevent students from dropping out of school.

Early Childhood Block Grant (3705-00) - This program serves children ages 3-5 (not age eligible for kindergarten) who are determined by a screening process to be at risk of academic failure. Focus is on the Illinois Early Learning Standards.

McKinney Education for Homeless Children - This program provides training and technical assistance to school districts to help assist school officials in understanding and complying with the McKinney-Vento Act.

System of Support - This program is designed to provide assistance to those schools/school districts that do not meet Adequate Yearly Progress (AYP) as defined by the No Child Left Behind Act and to provide foundational services to the lower performing schools.

Title II - Teacher Quality – This program provides support for schools to purchase evaluation training for teachers and administrators through “Growth Through Learning Illinois.” This program accounts for the Title II - Teacher Quality - Leadership Grant.

Additionally, the Regional Office of Education No. 25 reports the following nonmajor governmental funds:

Nonmajor Special Revenue Funds - Nonmajor Special Revenue Funds are used to account and report the proceeds of specific revenue sources that are legally restricted or committed for specified purposes other than debt service or capital projects. Included among these funds are:

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

1. Governmental Funds (Continued)

Nonmajor Special Revenue Funds (Continued)

Institute - This fund accounts for teacher certificate registration, issuance and evaluation fees for processing certificates, and expenses of meetings of a professional nature. All funds generated remain restricted until expended on providing professional development for school personnel.

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 and other tests offered by the Pearson VUE Testing Center.

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

2. Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes.

The Regional Office of Education No. 25 reports the following major enterprise funds:

Mt. Vernon Conference - This fund accounts for the two-day statewide teacher's conference that provides exhibit booths and presentations on various curriculum and interest areas for participants representing all areas and grade levels.

Testing - This fund provides materials for and results from administering standardized achievement tests, cognitive skills tests, and local assessments to the schools within the region.

The Regional Office of Education No. 25 reports the following nonmajor enterprise fund:

Finger Printing - This program is used to provide finger printing through FIRM Systems for schools, local businesses, and other individuals needing to obtain electronic finger prints for a variety of reasons.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

2. Proprietary Funds (Continued)

Internal Service Funds - Internal service funds are used to account for activities that provide goods or services to other funds on a cost-reimbursement basis.

The Regional Office of Education No. 25 reports the following internal service funds:

Employee Benefits - This fund is utilized to account for the payment of health insurance premiums, workers' compensation premiums, and all State and federal unemployment taxes on behalf of all programs, as well as any other incurred employment liabilities.

Transportation Reimbursement - The use of vehicles for the Alternative Learning Center programs is accounted for in this fund.

Building - The rent and maintenance on the buildings used by the Regional Office of Education No. 25 is accounted for in this fund.

3. Fiduciary Funds

Fiduciary Funds - Fiduciary funds are used to account for assets held by the Regional Office of Education No. 25 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.

The Regional Office of Education No. 25 reports the following fiduciary funds:

Rend Lake Regional Delivery System - This fund receives funds from the Illinois State Board of Education and forwards them to Rend Lake Regional Delivery System.

Clearing - This fund receives and pays fees for any petitions to annex in the district.

Regional Vocational Board - This fund supports facilitation, administration, and coordination for the Carl D. Perkins Vocational and Applied Technology Grant and the Career and Technical Education Improvement Grant.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Fund Balance (Continued)

1. Deposits and Investments

The Regional Office of Education No. 25 considers cash on hand, checking accounts, savings accounts, and money market accounts to be cash and cash equivalents. State regulations require that Regional Office of Education No. 25 deposit funds under its control into accounts insured by the federal government, accounts secured by substantial collateral or pooled investment trusts. All funds not needed for immediate disbursement are maintained in interest bearing accounts.

Statutes authorize the Regional Office of Education No. 25 to make deposits or invest in obligations of states and their political subdivisions, savings accounts, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Money Market Fund.

2. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” in the fund financial statements. Balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

3. Capital Assets

Capital assets are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of donation.

Improvements and other capital outlays that significantly extend the useful life of an assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Capital assets are depreciated using straight line method over the following estimated useful lives:

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Fund Balance

3. Capital Assets (Continued)

Assets	Years
Buildings and building improvements	15-30
Office equipment and furniture	5-10
Computer equipment	3-5
Other equipment	5-20
Vehicles	5

In the fund financial statements, capital assets used in governmental operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

4. Compensated Absences

Non-certified and certified employees who work 12 calendar months earn up to 10 vacation days and 2 personal days for a full year of service. Unused vacation days will not be carried over. Any unused personal days will be carried over as accumulated sick leave. In the event that a program terminates, no vacation days will be honored past the ending date of the program. Certified employees who work less than 12 calendar months per year do not earn vacation days.

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

5. Equity Classifications

Government-wide Statements

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

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted net position – The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Fund Balance (Continued)

5. Equity Classifications (Continued)

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources 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 fund balance that is not available to be spent, either short term or long term, in either form or through legal restrictions. There are no funds presenting a nonspendable fund balance.

Restricted Fund Balance – the portion of a Governmental Fund’s fund balance that is subject to external enforceable legal restrictions. The following accounts’ fund balances are restricted by grant agreements or contracts: ROE/ISC Technology, Illinois Violence Prevention Authority, ROE/ISC Operations, and Truants Alternative and Optional Education. The following funds are restricted by Illinois Statute: Institute and Bus Driver Training.

Committed Fund Balance – the portion of a Governmental Fund’s fund balance 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.

Assigned Fund Balance – the portion of a Governmental Fund’s fund balance to denote an intended use of resources. The accounts with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The assigned fund balance is comprised of the University College Classes fund balance.

Unassigned Fund Balance – available expendable financial resources in a Governmental Fund that are not designated for a specific purpose. The unassigned fund balance is comprised of the following: State Aid, Special Projects, Office Operations, Parapro, Southern Thirty, Hamilton-Jefferson Educational Services Cooperative, School Improvement, Regional Safe Schools, Early Childhood Block Grant (3705-00), McKinney Education for Homeless Children, System of Support, and General Education Development.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. New Accounting Pronouncements

In 2014, the Regional Office of Education No. 25 implemented Governmental Accounting Standards Board (GASB) Statement No. 66 - *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*, GASB Statement No. 67 - *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, and GASB Statement No. 70 - *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. These statements had no impact on the financial statements for the Regional Office of Education No. 25. The Regional Office of Education also implemented GASB Statement No. 65 - *Items Previously Reported as Assets and Liabilities*. This clarified GASB 63's presentation of deferred inflows and outflows of resources. The Regional Office of Education will now report items previously reported as deferred revenue as deferred inflows of resources - unavailable revenue.

2. BUDGETS AND BUDGETARY ACCOUNTING

The Regional Office of Education No. 25 was not legally required to adopt annual budgets for all funds under its control, and some annual budgets prepared were not based upon the same operating period. Therefore, budgetary reports comparing budgeted to actual expenditures are not presented.

Budgets relating to programs funded by grants from the Illinois State Board of Education are prepared and submitted to the State Board as part of the grant awards process. The State Board must also approve amendments to these budgets. Grant project budgets are based on the award period. Budgetary Comparison Schedules have been presented for the following grants: ROE/ISC Operations, Regional Safe Schools, Truants Alternative/Optional Education, and Title II - Teacher Quality - Leadership Grant.

3. USE OF 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.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2014, the carrying amount of the Regional Office of Education No. 25's governmental activities, business-type activities, and agency fund deposits were \$21,762, \$-0-, and \$14,081 respectively. The combined bank balances totaled \$74,551, all of which was secured by federal depository insurance, and were, therefore, not exposed to custodial credit risk.

B. Investments

At June 30, 2014, the carrying amount of the Regional Office of Education No. 25's deposits in the Illinois Funds Money Market Fund for the governmental activities was \$5,613. The combined bank balance invested in the Illinois Funds Money Market Fund was \$5,613. These deposits are included in cash and cash equivalents in the Regional Office of Education No. 25's governmental activities.

The Illinois Funds Money Market Fund investments are fully collateralized and not subject to credit risk. This fund enables custodians of public funds an investment option with a competitive rate of return on fully collateralized investments and immediate access to the funds. Although not subject to direct regulatory oversight, the investment pool is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235. The investment policy of the Illinois 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. The policy also limits investment categories to 25% of the portfolio, with the exception of cash equivalents and U.S. Treasury securities, unless specifically authorized by the Treasurer. Further, certificates of deposit cannot exceed 10% of any single financial institution's total deposits. The Illinois Funds received Standard & Poor's highest rating.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 91,500	\$ -	\$ -	\$ 91,500
Capital assets being depreciated:				
Buildings and building improvements	945,479	-	-	945,479
Vehicles	47,746	-	-	47,746
Office equipment and furniture	435	-	-	435
Computer equipment	47,835	2,500	(3,995)	46,340
Other equipment	140,541	-	(2,298)	138,243
Total capital assets being depreciated	<u>1,182,036</u>	<u>2,500</u>	<u>(6,293)</u>	<u>1,178,243</u>
Less accumulated depreciation for:				
Buildings and building improvements	(363,962)	(18,372)	-	(382,334)
Vehicles	(46,299)	-	-	(46,299)
Office equipment and furniture	(435)	-	-	(435)
Computer equipment	(46,023)	(1,080)	3,995	(43,108)
Other equipment	<u>(106,666)</u>	<u>(4,748)</u>	<u>2,298</u>	<u>(109,116)</u>
Total accumulated depreciation	<u>(563,385)</u>	<u>(24,200)</u>	<u>6,293</u>	<u>(581,292)</u>
Total capital assets being depreciated, net	<u>618,651</u>	<u>(21,700)</u>	<u>-</u>	<u>596,951</u>
Governmental activities capital assets, net	<u>\$ 710,151</u>	<u>\$ (21,700)</u>	<u>\$ -</u>	<u>\$ 688,451</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets being depreciated:				
Computer equipment	\$ 12,785	\$ -	\$ -	\$ 12,785
Less accumulated depreciation for:				
Computer equipment	<u>(12,785)</u>	<u>-</u>	<u>-</u>	<u>(12,785)</u>
Business-type activities capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to functions/programs of the Regional Office of Education No. 25 as follows:

Governmental activities:	
Instructional services	<u>\$ 24,200</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT

The Regional Office of Education No. 25 had the following loan at June 30, 2014:

Governmental activities:

Loan from Community First Bank of the Heartland dated October 7, 2011 in the amount of \$467,852 to finance the administrative building and the Alternative School building loan. It is payable in monthly installments of \$3,273 with a maturity date of October 7, 2031. The loan includes interest of 5.625% and is secured by the related real estate.

\$ 391,857

Debt service requirements to maturity for governmental activities are as follows:

Years ending June 30,	Principal	Interest	Total
2015	\$ 17,691	\$ 21,590	\$ 39,281
2016	18,712	20,569	39,281
2017	19,792	19,489	39,281
2018	20,934	18,347	39,281
2019	22,143	17,138	39,281
2020-2024	131,427	64,978	196,405
2025-2032	161,158	22,493	183,651
	<u>\$ 391,857</u>	<u>\$ 184,604</u>	<u>\$ 576,461</u>

7. AVAILABLE LINE OF CREDIT

On November 14, 2013, the Regional Office of Education No. 25 established a \$250,000 line of credit at US Bank at a rate of interest of 1.2% plus the one-month LIBOR rate in effect two New York Banking Days prior to the first day of each month, the Reprice Date. The line of credit is unsecured. There were no amounts outstanding under this line of credit at June 30, 2014. The credit agreement expires on June 30, 2015.

8. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the Regional Office of Education for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Governmental activities:					
Notes payable	\$ 407,604	\$ -	\$ 15,747	\$ 391,857	\$ 17,691

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

9. RETIREMENT FUND COMMITMENTS

A. Teachers' Retirement System of the State of Illinois

The Regional Office of Education No. 25 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 the 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 licensure is required. The active member contribution rate for the year ended June 30, 2014 was 9.4 percent 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 percent for the years ended June 30, 2013 and 2012.

The State of Illinois makes contributions directly to TRS on behalf of the Regional Office of Education No. 25'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 No. 25. For the year ended June 30, 2014, State of Illinois contributions were based on 35.41 percent of creditable earnings not paid from federal funds, and the Regional Office of Education No. 25 recognized revenue and expenditures of \$273,144 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2013 and June 30, 2012, the contribution rates were 28.05 percent (\$218,440) and 24.91 percent (\$177,800), respectively.

The Regional Office of Education No. 25 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 ended June 30, 2014 were \$3,471. Contributions for the years ended June 30, 2013 and June 30, 2012 were \$3,882 and \$3,554, respectively.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

9. RETIREMENT FUND COMMITMENTS (Continued)

A. 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 No. 25, there is a statutory requirement for the Regional Office of Education No. 25 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since 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. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2014, the employer pension contribution was 35.41 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2013 and 2012, the employer contribution was 28.05 and 24.91 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2014, salaries totaling \$14,697 were paid from federal and special trust funds that required employer contributions of \$5,204. For the years ended June 30, 2013 and June 30, 2012, required employer contributions were \$21,053 and \$21,535, respectively.

Early Retirement Option - The Regional Office of Education No. 25 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 under the current program is 146.5 percent and applies when the member is age 55 at retirement.

For the years ended June 30, 2014, June 30, 2013 and June 30, 2012, the Regional Office of Education No. 25 made no payments to TRS for employer contributions under the ERO program.

Salary Increases Over 6 Percent and Excess Sick Leave - If the Regional Office of Education No. 25 grants salary increases over 6 percent and those salaries are used to calculate a retiree's final average salary, the Regional Office of Education No. 25 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, 2014, June 30, 2013, and June 30, 2012, the Regional Office of Education No. 25 made no payments to TRS for employer contributions due on salary increases in excess of 6 percent.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

9. RETIREMENT FUND COMMITMENTS (Continued)

A. Teachers' Retirement System of the State of Illinois (Continued)

If the Regional Office of Education No. 25 grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the Regional Office of Education No. 25 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 Regional Office of Education No. 25 during the four-year sick leave review period, and the TRS total normal cost rate (17.29 percent of salary during the year ended June 30, 2014).

For the years ended June 30, 2014, June 30, 2013, and June 30, 2012, the Regional Office of Education No. 25 made no payments for employer contributions to TRS for sick leave days granted in excess of the normal annual allotment.

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, 2013. The report for the year ended June 30, 2014, is expected to be available in late 2014.

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

B. Illinois Municipal Retirement Fund

Plan Description - The Regional Office of Education No. 25'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 No. 25'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.

Funding Policy - As set by statute, the Regional Office of Education No. 25's Regular plan members are required to contribute 4.50 percent 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 annual required contribution rate for calendar year 2013 was 21.52 percent. The Regional Office of Education No. 25 also contributes for disability benefits, death benefits and supplemental retirement benefits, all 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.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

9. RETIREMENT FUND COMMITMENTS (Continued)

B. Illinois Municipal Retirement Fund (Continued)

Annual Pension Cost – The required contribution for the fiscal year ended June 30, 2014 was \$59,874.

Three-Year Trend Information for Regular Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2014	\$ 58,775	102%	\$ 23,450
6/30/2013	67,564	102%	24,549
6/30/2012	45,655	103%	25,700

The required contribution for 2013 was determined as part of the December 31, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.0 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 10.0 percent per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3.0 percent annually. The actuarial value of the Regional Office of Education No. 25'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 20.0 percent corridor between the actuarial and market value of assets. The Regional Office of Education No. 25 Regular plan's unfunded actuarial accrued liability at December 31, 2011 is being amortized as a level percentage of projected payroll on an open 10 year basis.

Funded Status and Funding Progress - As of December 31, 2013, the most recent actuarial valuation date, the Regular plan was 83.84 percent funded. The actuarial accrued liability for benefits was \$1,298,656 and the actuarial value of assets was \$1,088,735, resulting in an underfunded actuarial accrued liability (UAAL) of \$209,921. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$353,218, and the ratio of UAAL to the covered payroll was 59 percent.

The schedule of funding progress, presented as required supplementary information 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.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

9. RETIREMENT FUND COMMITMENTS (Continued)

C. Social Security

Employees not qualifying for coverage under the Illinois Teachers' Retirement System or the Illinois Municipal Retirement Fund are considered "nonparticipating employees". These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under Social Security.

10. OTHER POSTEMPLOYMENT BENEFITS

A. Teacher Health Insurance Security Fund

The Regional Office of Education No. 25 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 it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the state-administered participating provider option plan or choose from several managed care options. Beginning February 1, 2014, annuitants who were enrolled in Medicare Parts A and B may be eligible to enroll in Medicare Advantage Plans.

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. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by the Illinois Department of Central Management Services (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 No. 25. State contributions are intended to match contributions to the THIS Fund from active members which were 0.97 percent of pay during the year ended June 30, 2014. State of Illinois contributions were \$5,805, and the Regional Office of Education No. 25 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2013 and June 30, 2012 were 0.92 and 0.88 percent of pay, respectively. State contributions on behalf of Regional Office Education No. 25 employees were \$6,158 and \$5,465, respectively.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Teacher Health Insurance Security Fund (Continued)

Employer contributions to THIS Fund - The Regional Office of Education No. 25 also makes contributions to THIS Fund. The employer THIS Fund contribution was 0.72 percent during the year ended June 30, 2014 and 0.69 and 0.66 percent during the years ended June 30, 2013 and June 30, 2012, respectively. For the year ended June 30, 2014, the Regional Office of Education No. 25 paid \$4,309 to the THIS Fund. For the years ended June 30, 2013 and June 30, 2012, the Regional Office of Education No. 25 paid \$4,618 and \$4,098 to the THIS Fund, respectively, which was 100 percent of the required contribution.

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General: <http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>. The current reports are listed under “Central Management Services.” Prior reports are available under “Healthcare and Family Services.”

B. Other Postemployment Benefits

The Regional Office of Education No. 25 allows employees, who retire through the Regional Office of Education No. 25’s plan disclosed in Note 9B, the option to continue in the Regional Office of Education No. 25’s health insurance plan as required by the Illinois Compiled Statutes, but the retiree pays the full premium for the health insurance. This has not created an implicit subsidy as defined by GASB Statement No. 45 (GASB S-45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as the Regional Office of Education No. 25’s health insurance plan is considered a community rated plan. In addition, the Regional Office of Education No. 25 has no explicit subsidy as defined in GASB S-45.

11. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2014, interfund receivables and payables were as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 228,586	\$ -
Education Fund	-	133,970
Nonmajor Special Revenue Funds	8,461	-
Mt. Vernon Conference	-	30,495
Testing	-	25,077
Nonmajor Proprietary Fund	7,987	-
Internal Service Funds	-	55,492
Totals	<u>\$ 245,034</u>	<u>\$ 245,034</u>

At June 30, 2014, receivables to the General Fund, Nonmajor Special Revenue Funds, and Nonmajor Proprietary Fund consisted of loans between funds within the same pooled cash account. The loans were used to cover cash shortages in the Education Fund, Mt. Vernon Conference Fund, Testing Fund, and Internal Service Funds.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

12. BOND

The Illinois School Code (105 ILCS 5/3-2) directs the Regional Office of Education No. 25 to execute a bond of not less than \$100,000 for the Regional Superintendent. The Regional Office of Education No. 25 has secured and maintained such a bond with coverage of \$200,000 on the Regional Superintendent.

13. ON-BEHALF PAYMENTS

The Regional Office of Education No. 25 received on-behalf payments for employee salaries and benefits from the following entities for the following items:

State of Illinois:	
Regional Superintendent - salary	\$ 98,736
Regional Superintendent - benefits (includes State paid insurance)	32,146
Assistant Regional Superintendent - salary	88,872
Assistant Regional Superintendent - benefits (includes State paid insurance)	26,912
TRS pension contributions	273,144
THIS contributions	<u>5,805</u>
	<u><u>\$ 525,615</u></u>

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

The on-behalf payments are reflected as revenues and expenditures of the General Fund.

14. RISK MANAGEMENT - CLAIMS AND JUDGEMENTS

The Regional Office of Education No. 25 is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation; and natural disasters. The Regional Office of Education No. 25 is covered by commercial insurance to cover these risks of loss. No settlements have exceeded insurance coverage in the current or three previous years.

15. OPERATING LEASE

The Regional Office of Education No. 25 had entered into an annual operating lease through June 30, 2014 for its Alternative Education program. Rent expense for the year ended June 30, 2014 totaled \$52,200. The Regional Office of Education also leases vehicles for student transportation. Lease expenses totaled \$7,300.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

16. DUE TO/FROM OTHER GOVERNMENTS

At June 30, 2014, the Regional Office of Education No. 25's General Fund, Education Fund, Internal Service Funds, Agency Funds, Nonmajor Proprietary Funds, and various grant programs had funds due to and from various governmental units which consisted of the following:

Due From Other Governments:

General Fund:

Local Governments	\$ 77,681
Regional Office of Education #21	385
	78,066

Education Fund:

Local Governments	38,749
Illinois State Board of Education	14,949
Regional Office of Education #21	19,603
Illinois Comptroller	3,382
	76,683

Internal Service Funds:

Local Governments	6,714
	\$ 161,463

Testing:

Local Governments	\$ 1,652
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Agency Funds:

Local Governments	\$ 1,228
Illinois State Board of Education	10,082
	\$ 11,310

Due To Other Governments:

General Fund:

Eastern Illinois University	\$ 5,391
Local Governments	6,869
	12,260

Education Fund:

Illinois Comptroller	103
	\$ 12,363

Agency Funds:

Local Governments	\$ 24,775
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**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

17. CONTINGENCIES

The Regional Office of Education No. 25 has received funding from federal and State grants in the current and prior years which are subject to audits by granting agencies. The Regional Office of Education No. 25 believes any adjustments that may arise will be insignificant to the Regional Office of Education No. 25's operations.

18. SCHEDULE OF TRANSFERS

During the year ended June 30, 2014, the Regional Office of Education reported the following transfers:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 48
Education Fund	48	-
Totals	\$ 48	\$ 48

The transfer was made to cover a cash shortfall in the Education Fund.

19. DEFICIT FUND BALANCES/NET POSITION

The following individual funds carried the following deficit balances as of June 30, 2014:

State Aid	\$ 202,290
Special Projects	23,126
Hamilton-Jefferson Educational Services Cooperative	11,209
Regional Safe Schools	1,681
Early Childhood Block Grant (3705-00)	18,479
McKinney Education for Homeless Children	1,196
System of Support	83,622
General Education Development	1,050
Mt. Vernon Conference	30,495
Testing	25,430
Transportation Reimbursement	56,602

The Regional Office of Education No. 25 intends to reduce these deficits by reducing expenditures/expenses in future periods or by transferring available resources from the General Fund.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

20. REGIONAL OFFICE OF EDUCATION CONSOLIDATION

On November 22, 2013, the Illinois State Board of Education adopted a motion pursuant to its obligation under 105 ILCS 5/3A-4(a), which recognizes consolidations agreed to via county board resolutions prior to June 30, 2013. Effective July 1, 2015, the Regional Office of Education No. 25 will disband and Hamilton County will consolidate with Regional Office of Education No. 20. Jefferson County will consolidate with Regional Office of Education No. 13.

21. PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements, including additional note disclosures and required supplementary information, for state and local governments that provide their employees with pension benefits. At this time, the effect of the statement on the financial statements is indeterminable; however, the Statement of Net Position may be adjusted to include a significant liability for the government's proportionate share of the employee pension plans' unfunded liabilities.

22. SUBSEQUENT EVENTS

On July 7, 2014, the Regional Office of Education No. 25 sold a building that was previously used as administrative offices. The proceeds were used to pay down the consolidated debt on this building and other buildings owned by the Regional Office of Education.

The Regional Office of Education No. 25 drew on its line of credit on July 15, 2014 in the amount of \$100,000. On September 11, 2014, an additional \$100,000 was drawn. These amounts were used to make payroll and other operating expenses prior to receiving funds for various programs.

REQUIRED SUPPLEMENTARY INFORMATION

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS
UNAUDITED**

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)
12/31/13	\$ 1,088,735	\$ 1,298,656	\$ 209,921	83.84%	\$ 353,218	59.43%
12/31/12	901,968	1,277,759	375,791	70.59%	389,190	96.56%
12/31/11	810,899	1,208,411	397,512	67.10%	453,960	87.57%

On a market value basis, the actuarial value of assets as of December 31, 2013 is \$1,341,480. On a market basis, the funded ratio would be 103.30%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with the Hamilton and Jefferson Counties Regional Office of Education No. 25. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

SUPPLEMENTAL INFORMATION

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2014**

	University College Classes	State Aid	Special Projects	Office Operations
ASSETS				
Cash and cash equivalents	\$ 9,754	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-
Due from other funds	15,503	-	-	223,570
Due from other governments	-	1,441	-	7,628
	<u>-</u>	<u>1,441</u>	<u>-</u>	<u>7,628</u>
Total assets	<u>\$ 25,257</u>	<u>\$ 1,441</u>	<u>\$ -</u>	<u>\$ 231,198</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,404	\$ 2,167	\$ -	\$ 1,996
Accrued salaries and benefits	-	102,219	-	-
Due to other funds	-	99,345	23,126	-
Due to other governments	5,391	-	-	1,055
	<u>5,391</u>	<u>-</u>	<u>-</u>	<u>1,055</u>
Total liabilities	<u>8,795</u>	<u>203,731</u>	<u>23,126</u>	<u>3,051</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	1,792
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,792</u>
FUND BALANCES				
Assigned	16,462	-	-	-
Unassigned	-	(202,290)	(23,126)	226,355
	<u>-</u>	<u>(202,290)</u>	<u>(23,126)</u>	<u>226,355</u>
Total fund balances (deficits)	<u>16,462</u>	<u>(202,290)</u>	<u>(23,126)</u>	<u>226,355</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 25,257</u>	<u>\$ 1,441</u>	<u>\$ -</u>	<u>\$ 231,198</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF ACCOUNTS (Continued)
GENERAL FUND
June 30, 2014**

	<u>Parapro</u>	<u>Regional In-Service Meeting</u>	<u>Southern Thirty</u>	<u>Hamilton- Jefferson Educational Services Cooperative</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	1,674
Due from other funds	500	-	107,887	9,659
Due from other governments	-	-	30,041	38,756
	<u>-</u>	<u>-</u>	<u>137,928</u>	<u>49,489</u>
Total assets	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 137,928</u>	<u>\$ 50,089</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 125	\$ -	\$ 247	\$ 52,131
Accrued salaries and benefits	-	-	16,879	-
Due to other funds	-	-	-	9,167
Due to other governments	-	-	5,814	-
	<u>-</u>	<u>-</u>	<u>22,940</u>	<u>61,298</u>
Total liabilities	<u>125</u>	<u>-</u>	<u>22,940</u>	<u>61,298</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	<u>-</u>	<u>-</u>	<u>30,041</u>	<u>-</u>
FUND BALANCES				
Assigned	-	-	-	-
Unassigned	375	-	84,947	(11,209)
	<u>375</u>	<u>-</u>	<u>84,947</u>	<u>(11,209)</u>
Total fund balances (deficits)	<u>375</u>	<u>-</u>	<u>84,947</u>	<u>(11,209)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 137,928</u>	<u>\$ 50,089</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF ACCOUNTS (Concluded)
GENERAL FUND
June 30, 2014**

	<u>School Improvement</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 9,754
Accounts receivable	-	-	1,674
Due from other funds	3,105	(131,638)	228,586
Due from other governments	200	-	78,066
	<u>3,305</u>	<u>(131,638)</u>	<u>318,080</u>
Total assets	<u>\$ 3,305</u>	<u>\$ (131,638)</u>	<u>\$ 318,080</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 75	\$ -	\$ 60,145
Accrued salaries and benefits	-	-	119,098
Due to other funds	-	(131,638)	-
Due to other governments	-	-	12,260
	<u>75</u>	<u>(131,638)</u>	<u>191,503</u>
Total liabilities	<u>75</u>	<u>(131,638)</u>	<u>191,503</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>-</u>	<u>-</u>	<u>31,833</u>
FUND BALANCES			
Assigned	-	-	16,462
Unassigned	3,230	-	78,282
	<u>3,230</u>	<u>-</u>	<u>94,744</u>
Total fund balances (deficits)	<u>3,230</u>	<u>-</u>	<u>94,744</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,305</u>	<u>\$ (131,638)</u>	<u>\$ 318,080</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
For the year ended June 30, 2014**

	University College Classes	State Aid	Special Projects	Office Operations
Revenues:				
Local sources	\$ 105,998	\$ 13,675	\$ 11,106	\$ 43,515
State sources	-	342,172	-	-
On-behalf payments	-	-	-	525,615
Interest	42	-	-	233
Total revenues	106,040	355,847	11,106	569,363
Expenditures:				
Salaries and benefits	-	377,858	-	39,012
Purchased services	104,778	25,762	9,202	42,059
Supplies and materials	-	1,593	1,225	2,121
Capital outlay	-	2,500	-	-
On-behalf payments	-	-	-	525,615
Total expenditures	104,778	407,713	10,427	608,807
Excess (deficiency) of revenues over (under) expenditures	1,262	(51,866)	679	(39,444)
Other financing sources (uses):				
Transfers in	-	10,787	-	31,155
Transfers out	(4,000)	-	-	(48)
Total other financing sources (uses)	(4,000)	10,787	-	31,107
Net change in fund balances	(2,738)	(41,079)	679	(8,337)
Fund balances (deficits), beginning of year	19,200	(161,211)	(23,805)	234,692
Fund balances (deficits), end of year	\$ 16,462	\$ (202,290)	\$ (23,126)	\$ 226,355

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (Continued)
GENERAL FUND ACCOUNTS
For the year ended June 30, 2014**

	Parapro	Regional In-Service Meeting	Southern Thirty	Hamilton- Jefferson Educational Services Cooperative
Revenues:				
Local sources	\$ 565	\$ -	\$ 115,234	\$ 50,540
State sources	-	-	-	-
On-behalf payments	-	-	-	-
Interest	-	-	-	-
Total revenues	565	-	115,234	50,540
Expenditures:				
Salaries and benefits	-	-	127,587	-
Purchased services	390	-	3,743	-
Supplies and materials	-	-	367	52,132
Capital outlay	-	-	-	-
On-behalf payments	-	-	-	-
Total expenditures	390	-	131,697	52,132
Excess (deficiency) of revenues over (under) expenditures	175	-	(16,463)	(1,592)
Other financing sources (uses):				
Transfers in	-	5,091	3,067	-
Transfers out	-	-	-	(41,009)
Total other financing sources (uses)	-	5,091	3,067	(41,009)
Net change in fund balances	175	5,091	(13,396)	(42,601)
Fund balances (deficits), beginning of year	200	(5,091)	98,343	31,392
Fund balances (deficits), end of year	<u>\$ 375</u>	<u>\$ -</u>	<u>\$ 84,947</u>	<u>\$ (11,209)</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (Concluded)
GENERAL FUND ACCOUNTS
For the year ended June 30, 2014**

	School Improvement	Eliminations	Total
Revenues:			
Local sources	\$ 3,804	\$ -	\$ 344,437
State sources	-	-	342,172
On-behalf payments	-	-	525,615
Interest	-	-	275
	<hr/>	<hr/>	<hr/>
Total revenues	3,804	-	1,212,499
	<hr/>	<hr/>	<hr/>
Expenditures:			
Salaries and benefits	-	-	544,457
Purchased services	2,796	-	188,730
Supplies and materials	152	-	57,590
Capital outlay	-	-	2,500
On-behalf payments	-	-	525,615
	<hr/>	<hr/>	<hr/>
Total expenditures	2,948	-	1,318,892
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	856	-	(106,393)
	<hr/>	<hr/>	<hr/>
Other financing sources (uses):			
Transfers in	-	(50,100)	-
Transfers out	(5,091)	50,100	(48)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(5,091)	-	(48)
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(4,235)	-	(106,441)
	<hr/>	<hr/>	<hr/>
Fund balances (deficits), beginning of year	7,465	-	201,185
	<hr/>	<hr/>	<hr/>
Fund balances (deficits), end of year	\$ 3,230	\$ -	\$ 94,744
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2014**

	ROE/ISC Technology	Illinois Violence Prevention Authority	Early Childhood Block Grant (3705-70)	ROE/ISC Operations
ASSETS				
Cash and cash equivalents	\$ 2,136	\$ 1,777	\$ -	\$ 1
Due from other funds	-	-	-	-
Due from other governments	-	3,382	-	-
	<u>2,136</u>	<u>3,382</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,136</u>	<u>\$ 5,159</u>	<u>\$ -</u>	<u>\$ 1</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 2,132	\$ -	\$ -
Accrued salaries and benefits	-	-	-	-
Due to other funds	-	1,147	-	-
Due to other governments	-	103	-	-
	<u>-</u>	<u>3,382</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>3,382</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	2,136	1,777	-	1
Unassigned	-	-	-	-
	<u>2,136</u>	<u>1,777</u>	<u>-</u>	<u>1</u>
Total fund balances (deficits)	<u>2,136</u>	<u>1,777</u>	<u>-</u>	<u>1</u>
Total liabilities and fund balances	<u>\$ 2,136</u>	<u>\$ 5,159</u>	<u>\$ -</u>	<u>\$ 1</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF ACCOUNTS (Continued)
EDUCATION FUND
June 30, 2014**

	Regional Safe Schools	Truants Alternative and Optional Education	Early Childhood Block Grant (3705-00)	McKinney Education for Homeless Children
ASSETS				
Cash and cash equivalents	\$ 2,298	\$ -	\$ -	\$ -
Due from other funds	-	7,244	-	-
Due from other governments	-	14,859	38,749	8,791
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,298</u>	<u>\$ 22,103</u>	<u>\$ 38,749</u>	<u>\$ 8,791</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 299	\$ 441	\$ -	\$ -
Accrued salaries and benefits	3,680	2,722	38,319	-
Due to other funds	-	16,647	18,909	9,987
Due to other governments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>3,979</u>	<u>19,810</u>	<u>57,228</u>	<u>9,987</u>
FUND BALANCES				
Restricted	-	2,293	-	-
Unassigned	(1,681)	-	(18,479)	(1,196)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficits)	<u>(1,681)</u>	<u>2,293</u>	<u>(18,479)</u>	<u>(1,196)</u>
	<u>\$ 2,298</u>	<u>\$ 22,103</u>	<u>\$ 38,749</u>	<u>\$ 8,791</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF ACCOUNTS (Concluded)
EDUCATION FUND
June 30, 2014**

	System of Support	Title II - Teacher Quality	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 6,212
Due from other funds	-	-	(7,244)	-
Due from other governments	10,812	90	-	76,683
	<u>10,812</u>	<u>90</u>	<u>-</u>	<u>76,683</u>
Total assets	<u>\$ 10,812</u>	<u>\$ 90</u>	<u>\$ (7,244)</u>	<u>\$ 82,895</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 2,872
Accrued salaries and benefits	-	-	-	44,721
Due to other funds	94,434	90	(7,244)	133,970
Due to other governments	-	-	-	103
	<u>94,434</u>	<u>90</u>	<u>(7,244)</u>	<u>181,666</u>
Total liabilities	<u>94,434</u>	<u>90</u>	<u>(7,244)</u>	<u>181,666</u>
FUND BALANCES				
Restricted	-	-	-	6,207
Unassigned	(83,622)	-	-	(104,978)
	<u>(83,622)</u>	<u>-</u>	<u>-</u>	<u>(98,771)</u>
Total fund balances (deficits)	<u>(83,622)</u>	<u>-</u>	<u>-</u>	<u>(98,771)</u>
Total liabilities and fund balances	<u>\$ 10,812</u>	<u>\$ 90</u>	<u>\$ (7,244)</u>	<u>\$ 82,895</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
For the year ended June 30, 2014**

	ROE/ISC Technology	Illinois Violence Prevention Authority	Early Childhood Block Grant (3705-70)	ROE/ISC Operations
Revenues:				
Local sources	\$ 1,000	\$ -	\$ -	\$ -
State sources	53,546	45,907	-	24,344
Federal sources	-	-	-	-
Total revenues	54,546	45,907	-	24,344
Expenditures:				
Salaries and benefits	53,536	-	-	23,415
Purchased services	1,871	40,089	-	929
Supplies and materials	-	5,266	-	-
Total expenditures	55,407	45,355	-	24,344
Excess (deficiency) of revenues over (under) expenditures	(861)	552	-	-
Other financing sources (uses):				
Transfers in	-	-	48	-
Transfers out	-	-	(10)	-
Total other financing sources (uses)	-	-	38	-
Net change in fund balances	(861)	552	38	-
Fund balances (deficits), beginning of year	2,997	1,225	(38)	1
Fund balances (deficits), end of year	<u>\$ 2,136</u>	<u>\$ 1,777</u>	<u>\$ -</u>	<u>\$ 1</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (Continued)
EDUCATION FUND ACCOUNTS
For the year ended June 30, 2014**

	Regional Safe Schools	Truants Alternative and Optional Education	Early Childhood Block Grant (3705-00)	McKinney Education for Homeless Children
Revenues:				
Local sources	\$ -	\$ -	\$ 74,158	\$ -
State sources	46,158	97,792	225,562	-
Federal sources	-	25,981	-	24,078
	<u>46,158</u>	<u>123,773</u>	<u>299,720</u>	<u>24,078</u>
Total revenues	46,158	123,773	299,720	24,078
Expenditures:				
Salaries and benefits	26,756	76,800	300,830	19,575
Purchased services	19,499	47,375	9,808	1,624
Supplies and materials	-	405	1,563	3,829
	<u>46,255</u>	<u>124,580</u>	<u>312,201</u>	<u>25,028</u>
Total expenditures	46,255	124,580	312,201	25,028
Excess (deficiency) of revenues over (under) expenditures	<u>(97)</u>	<u>(807)</u>	<u>(12,481)</u>	<u>(950)</u>
Other financing sources (uses):				
Transfers in	-	-	10	-
Transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>10</u>	<u>-</u>
Total other financing sources (uses)	-	-	10	-
Net change in fund balances	(97)	(807)	(12,471)	(950)
Fund balances (deficits), beginning of year	<u>(1,584)</u>	<u>3,100</u>	<u>(6,008)</u>	<u>(246)</u>
Fund balances (deficits), end of year	<u>\$ (1,681)</u>	<u>\$ 2,293</u>	<u>\$ (18,479)</u>	<u>\$ (1,196)</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (Concluded)
EDUCATION FUND ACCOUNTS
For the year ended June 30, 2014**

	System of Support	Title II - Teacher Quality	Eliminations	Total
Revenues:				
Local sources	\$ 2,500	\$ -	\$ -	\$ 77,658
State sources	-	-	-	493,309
Federal sources	10,812	1,590	-	62,461
Total revenues	13,312	1,590	-	633,428
Expenditures:				
Salaries and benefits	9,606	-	-	510,518
Purchased services	3,590	1,500	-	126,285
Supplies and materials	116	90	-	11,269
Total expenditures	13,312	1,590	-	648,072
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(14,644)
Other financing sources (uses):				
Transfers in	-	-	(10)	48
Transfers out	-	-	10	-
Total other financing sources (uses)	-	-	-	48
Net change in fund balances	-	-	-	(14,596)
Fund balances (deficits), beginning of year	(83,622)	-	-	(84,175)
Fund balances (deficits), end of year	\$ (83,622)	\$ -	\$ -	\$ (98,771)

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ROE/ISC OPERATIONS – PROJECT #14-3730-00
For the year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
State sources	\$ 24,344	\$ 24,344	\$ 24,344
Expenditures:			
Salaries and benefits	23,415	23,415	23,415
Purchased services	929	929	929
Total expenditures	24,344	24,344	24,344
Excess of revenues over expenditures	\$ -	\$ -	-
Fund balance, beginning of year			1
Fund balance, end of year			\$ 1

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
REGIONAL SAFE SCHOOLS – PROJECT #14-3696-00
For the year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
State sources	\$ 46,158	\$ 46,158	\$ 46,158
Expenditures:			
Salaries and benefits	26,756	26,756	26,756
Purchased services	19,002	19,402	19,499
Supplies and materials	400	-	-
Total expenditures	46,158	46,158	46,255
Deficiency of revenues under expenditures	\$ -	\$ -	(97)
Fund deficit, beginning of year			(1,584)
Fund deficit, end of year			\$ (1,681)

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TRUANTS ALTERNATIVE/OPTIONAL EDUCATION - PROJECT #14-3695-14
For the year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
State sources	\$ 97,264	\$ 97,264	\$ 97,792
Federal sources	-	-	25,981
Total revenues	<u>97,264</u>	<u>97,264</u>	<u>123,773</u>
Expenditures:			
Salaries and benefits	71,179	71,179	76,800
Purchased services	25,180	25,680	47,375
Supplies and materials	905	405	405
Total expenditures	<u>97,264</u>	<u>97,264</u>	<u>124,580</u>
Deficiency of revenues under expenditures	<u>\$ -</u>	<u>\$ -</u>	(807)
Fund balance, beginning of year			<u>3,100</u>
Fund balance, end of year			<u>\$ 2,293</u>

NOTE: Actual column also includes National School Lunch Program revenues of \$13,410 (Project 14-4210-00) and \$2,775 (Project 13-4210-00), School Breakfast Program revenues of \$8,263 (Project 14-4220-00) and \$1,533 (Project 13-4220-00), and State Free Lunch and Breakfast revenue of \$528 (Project 14-3360-00).

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE II - TEACHER QUALITY – LEADERSHIP GRANT - PROJECT #14-4935-02
For the year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Federal sources	\$ 1,790	\$ 1,790	\$ 1,590
Expenditures:			
Purchased services	1,700	1,700	1,500
Supplies and materials	90	90	90
Total expenditures	1,790	1,790	1,590
Excess of revenues over expenditures	\$ -	\$ -	-
Fund balance, beginning of year			-
Fund balance, end of year			\$ -

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2014**

	<u>Institute</u>	<u>General Education Development</u>	<u>Bus Driver Training</u>
ASSETS			
Cash and cash equivalents	\$ 10,099	\$ -	\$ 1,310
Due from other funds	9,453	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 19,552</u>	<u>\$ -</u>	<u>\$ 1,310</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 58	\$ -
Due to other funds	-	992	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>1,050</u>	<u>-</u>
FUND BALANCES			
Restricted	19,552	-	1,310
Unassigned	-	(1,050)	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficits)	<u>19,552</u>	<u>(1,050)</u>	<u>1,310</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 19,552</u>	<u>\$ -</u>	<u>\$ 1,310</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (Concluded)
June 30, 2014**

	Eliminations	Total
ASSETS		
Cash and cash equivalents	\$ -	\$ 11,409
Due from other funds	(992)	8,461
Total assets	\$ (992)	\$ 19,870
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ -	\$ 58
Due to other funds	(992)	-
Total liabilities	(992)	58
FUND BALANCES		
Restricted	-	20,862
Unassigned	-	(1,050)
Total fund balances (deficits)	-	19,812
Total liabilities and fund balances	\$ (992)	\$ 19,870

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the year ended June 30, 2014**

	<u>Institute</u>	<u>General Education Development</u>	<u>Bus Driver Training</u>	<u>Total</u>
Revenues:				
Local sources	\$ 10,640	\$ 6,608	\$ 1,592	\$ 18,840
State sources	-	-	688	688
Total revenues	<u>10,640</u>	<u>6,608</u>	<u>2,280</u>	<u>19,528</u>
Expenditures:				
Salaries and benefits	-	5,780	-	5,780
Purchased services	1,537	655	1,537	3,729
Supplies and materials	-	160	-	160
Total expenditures	<u>1,537</u>	<u>6,595</u>	<u>1,537</u>	<u>9,669</u>
Excess of revenues over expenditures	9,103	13	743	9,859
Fund balances (deficits), beginning of year	<u>10,449</u>	<u>(1,063)</u>	<u>567</u>	<u>9,953</u>
Fund balances (deficits), end of year	<u><u>\$ 19,552</u></u>	<u><u>\$ (1,050)</u></u>	<u><u>\$ 1,310</u></u>	<u><u>\$ 19,812</u></u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2014**

	Employee Benefits	Transportation Reimbursement	Building
ASSETS			
Current assets:			
Accounts receivable	\$ -	\$ 55	\$ 5
Due from other funds	50,742	-	-
Due from other governments	-	414	6,300
	50,742	469	6,305
Noncurrent assets:			
Capital assets, net	1,154	1,447	655,664
	51,896	1,916	661,969
LIABILITIES			
Current liabilities:			
Accounts payable	-	-	2,946
Accrued salaries and benefits	14,714	-	-
Due to other funds	-	58,518	47,716
Current portion of long-term debt	-	-	17,691
	14,714	58,518	68,353
Noncurrent liabilities:			
Net pension obligation payable	23,450	-	-
Long-term debt, net of current portion	-	-	374,166
	23,450	-	374,166
	38,164	58,518	442,519
NET POSITION			
Net investment in capital assets	1,154	1,447	263,807
Unrestricted	12,578	(58,049)	(44,357)
	\$ 13,732	\$ (56,602)	\$ 219,450

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF NET POSITION (Concluded)
INTERNAL SERVICE FUNDS
June 30, 2014**

	Eliminations	Total
ASSETS		
Current assets:		
Accounts receivable	\$ -	\$ 60
Due from other funds	(50,742)	-
Due from other governments	-	6,714
Total current assets	(50,742)	6,774
Noncurrent assets:		
Capital assets, net	-	658,265
Total assets	(50,742)	665,039
LIABILITIES		
Current liabilities:		
Accounts payable	-	2,946
Accrued salaries and benefits	-	14,714
Due to other funds	(50,742)	55,492
Current portion of long-term debt	-	17,691
Total current liabilities	(50,742)	90,843
Noncurrent liabilities:		
Net pension obligation payable	-	23,450
Long-term debt, net of current portion	-	374,166
Total noncurrent liabilities	-	397,616
Total liabilities	(50,742)	488,459
NET POSITION		
Net investment in capital assets	-	266,408
Unrestricted	-	(89,828)
Total net position	\$ -	\$ 176,580

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the year ended June 30, 2014**

	Employee Benefits	Transportation Reimbursement	Building	Total
Operating revenues:				
Charges for services	\$ 146,892	\$ 10,751	\$ 53,205	\$ 210,848
Operating expenses:				
Salaries and benefits	13,615	6,652	-	20,267
Purchased services	168,873	7,552	17,911	194,336
Supplies and materials	-	3,310	191	3,501
Depreciation	660	-	18,535	19,195
Total operating expenses	183,148	17,514	36,637	237,299
Operating income (loss)	(36,256)	(6,763)	16,568	(26,451)
Nonoperating revenues (expenses):				
Interest expense	-	-	(23,534)	(23,534)
Insurance recoveries	-	-	28,608	28,608
Restoration of impaired capital asset	-	-	(10,513)	(10,513)
Total nonoperating revenues (expenses)	-	-	(5,439)	(5,439)
Change in net position	(36,256)	(6,763)	11,129	(31,890)
Net position - beginning of year	49,988	(49,839)	208,321	208,470
Net position - end of year	\$ 13,732	\$ (56,602)	\$ 219,450	\$ 176,580

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the year ended June 30, 2014**

	Employee Benefits	Transportation Reimbursement	Building	Total
Cash flows from operating activities:				
Collection of fees	\$ 146,892	\$ 10,367	\$ 51,100	\$ 208,359
Payments to suppliers and providers of goods and services	(168,873)	(10,911)	(16,029)	(195,813)
Payments to employees	-	(7,978)	-	(7,978)
Net cash provided (used) by operating activities	<u>(21,981)</u>	<u>(8,522)</u>	<u>35,071</u>	<u>4,568</u>
Cash flows from noncapital financing activities:				
Receipts (payments) from (for) interfund borrowings, net	<u>(80,030)</u>	<u>8,522</u>	<u>(13,885)</u>	<u>(85,393)</u>
Net cash provided (used) by noncapital financing activities	<u>(80,030)</u>	<u>8,522</u>	<u>(13,885)</u>	<u>(85,393)</u>
Cash flows from capital and related financing activities:				
Insurance recoveries	-	-	28,608	28,608
Restoration of impaired capital asset	-	-	(10,513)	(10,513)
Principal paid on capital debt	-	-	(15,747)	(15,747)
Interest paid on capital debt	-	-	(23,534)	(23,534)
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(21,186)</u>	<u>(21,186)</u>
Net decrease in cash and cash equivalents	(102,011)	-	-	(102,011)
Cash and cash equivalents - beginning	102,011	-	-	102,011
Cash and cash equivalents - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (36,256)	\$ (6,763)	\$ 16,568	\$ (26,451)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	660	-	18,535	19,195
Decrease (increase) in assets:				
Accounts receivable	-	30	(5)	25
Due from other governments	-	(414)	(2,100)	(2,514)
Increase (decrease) in liabilities:				
Accounts payable	-	(49)	2,073	2,024
Accrued salaries and benefits	14,714	(1,326)	-	13,388
Net pension obligation payable	(1,099)	-	-	(1,099)
Net cash provided (used) by operating activities	<u>\$ (21,981)</u>	<u>\$ (8,522)</u>	<u>\$ 35,071</u>	<u>\$ 4,568</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
June 30, 2014**

	Rend Lake Regional Delivery System	Clearing	Regional Vocational Board	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ 299	\$ 13,782	\$ 14,081
Due from other governments	10,082	317	911	11,310
Total assets	<u>\$ 10,082</u>	<u>\$ 616</u>	<u>\$ 14,693</u>	<u>\$ 25,391</u>
LIABILITIES				
Accounts payable	\$ -	\$ 616	\$ -	\$ 616
Due to other governments	10,082	-	14,693	24,775
Total liabilities	<u>\$ 10,082</u>	<u>\$ 616</u>	<u>\$ 14,693</u>	<u>\$ 25,391</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
For the year ended June 30, 2014**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<u>REND LAKE REGIONAL DELIVERY SYSTEM</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 380,077	\$ 380,077	\$ -
Due from other governments	18,352	10,082	18,352	10,082
Total assets	\$ 18,352	\$ 390,159	\$ 398,429	\$ 10,082
LIABILITIES				
Due to other governments	\$ 18,352	\$ 10,082	\$ 18,352	\$ 10,082
Total liabilities	\$ 18,352	\$ 10,082	\$ 18,352	\$ 10,082
<u>CLEARING</u>				
ASSETS				
Cash and cash equivalents	\$ 500	\$ 1,296	\$ 1,497	\$ 299
Accounts receivable	500	-	500	-
Due from other governments	-	317	-	317
Total assets	\$ 1,000	\$ 1,613	\$ 1,997	\$ 616
LIABILITIES				
Accounts payable	\$ -	\$ 616	\$ -	\$ 616
Due to other governments	1,000	-	1,000	-
Total liabilities	\$ 1,000	\$ 616	\$ 1,000	\$ 616

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND (Concluded)
For the year ended June 30, 2014**

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>REGIONAL VOCATIONAL BOARD</u>				
ASSETS				
Cash and cash equivalents	\$ 9,705	\$ 77,861	\$ 73,784	\$ 13,782
Due from other governments	-	911	-	911
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 9,705</u>	<u>\$ 78,772</u>	<u>\$ 73,784</u>	<u>\$ 14,693</u>
LIABILITIES				
Due to other governments	\$ 9,705	\$ 4,988	\$ -	\$ 14,693
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 9,705</u>	<u>\$ 4,988</u>	<u>\$ -</u>	<u>\$ 14,693</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 10,205	\$ 459,234	\$ 455,358	\$ 14,081
Accounts receivable	500	-	500	-
Due from other governments	18,352	11,310	18,352	11,310
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 29,057</u>	<u>\$ 470,544</u>	<u>\$ 474,210</u>	<u>\$ 25,391</u>
LIABILITIES				
Accounts payable	\$ -	\$ 616	\$ -	\$ 616
Due to other governments	29,057	15,070	19,352	24,775
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 29,057</u>	<u>\$ 15,686</u>	<u>\$ 19,352</u>	<u>\$ 25,391</u>