

**STATE OF ILLINOIS
HANCOCK/MCDONOUGH
REGIONAL OFFICE OF EDUCATION # 26
FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
For the Year Ended June 30, 2009**

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

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HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26

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**HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
OFFICIALS**

Regional Superintendent

**Mr. Gary Eddington
(During audit period)
Mr. John Meixner
(Current)**

Assistant Regional Superintendent

**Mr. John Meixner
(During audit period)
Mr. Eric Bryan
(Current)**

Offices are located at:

**130 South LaFayette Street
Suite 200
Macomb, Illinois 61455**

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
COMPLIANCE REPORT SUMMARY

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

AUDITORS' REPORTS

The auditors' reports on compliance and on internal controls 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	1	2
Repeated Audit Findings	1	2
Prior recommendations implemented or not repeated	1	0

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<i>Findings (Government Auditing Standards)</i>			
09-1	15	Controls over Financial Statement Preparation	Material Weakness
<i>Findings and Questioned Costs (Federal Compliance)</i>			
None			
<i>Prior Audit Findings not Repeated (Government Auditing Standards)</i>			
08-2	19	Lack of cost allocation plan	
<i>Prior Audit Findings not Repeated (Federal Compliance)</i>			
08-2	19	Lack of cost allocation plan	

An informal exit conference was held on October 20, 2009. Those involved included John Meixner, Regional Superintendent, and Mark Reinken, auditor. The findings and audit process in general were discussed. Responses to the recommendations were provided by John Meixner on November 30, 2009.

**HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
FINANCIAL STATEMENT REPORT
SUMMARY**

The audit of the accompanying basic financial statements of Hancock/McDonough Regional Office of Education #26 was performed by Ginoli & Company Ltd.

Based on their audit, the auditors expressed an unqualified opinion on the Hancock/McDonough Regional Office of Education #26's basic financial statements.

**INDEPENDENT AUDITORS' REPORT**

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hancock/McDonough Regional Office of Education #26, as of and for the year ended June 30, 2009, which collectively comprise the Hancock/McDonough Regional Office of Education #26's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Regional Office of Education #26's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hancock/McDonough Regional Office of Education #26, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 15, 2010 on our consideration of the Hancock/McDonough Regional Office of Education #26's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 20 through 27 and page 57 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hancock/McDonough Regional Office of Education #26's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and Schedule of Disbursements to School District Treasurers and Others are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Hancock/McDonough Regional Office of Education #26. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Others, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
January 15, 2010



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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hancock/McDonough Regional Office of Education #26, as of and for the year ended June 30, 2009, which collectively comprise the Hancock/McDonough Regional Office of Education #26's basic financial statements and have issued our report thereon dated January 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hancock/McDonough Regional Office of Education #26's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hancock/McDonough Regional Office of Education #26's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Regional Office of Education #26's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 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 finding 09-1 in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hancock/McDonough Regional Office of Education #26's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hancock/McDonough Regional Office of Education #26's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Hancock/McDonough Regional Office of Education #26's response and, accordingly, we express no opinion on it.

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

GINOLI & COMPANY LTD
GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
January 15, 2010



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of the Hancock/McDonough Regional Office of Education #26 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Hancock/McDonough Regional Office of Education #26's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Hancock/McDonough Regional Office of Education #26's management. Our responsibility is to express an opinion on the Hancock/McDonough Regional Office of Education #26's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hancock/McDonough Regional Office of Education #26's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Hancock/McDonough Regional Office of Education #26's compliance with those requirements.

In our opinion, the Hancock/McDonough Regional Office of Education #26 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Hancock/McDonough Regional Office of Education #26 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Hancock/McDonough Regional Office of Education #26's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Regional Office of Education #26's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in a more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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


GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
January 15, 2010

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Section I -- Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported

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

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

HANCOCK/MCDONOUGH COUNTIES REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.215X	Teaching American History
84.196A	McKinney Education for Homeless Children

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

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

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS
For The Year Ended June 30, 2009

FINDING NO. 09-1 - Controls Over Financial Statement Preparation (Repeat of prior years findings: 08-1 and 07-1)

Criteria/Specific Requirement:

The Hancock/McDonough Regional Office of Education #26 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

Condition:

The Regional Office of Education #26 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the accrual basis for disbursements and the cash basis for receipts. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, and deferred revenues.
- The Regional Office did not maintain adequate internal controls over the processing of all financial transactions, and numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.

Effect:

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

Cause:

According to Regional Office officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS
For The Year Ended June 30, 2009

Recommendation:

As part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education #26 should implement a comprehensive preparation and /or review procedure to ensure that the financial statements, including note 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 #26 understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office accepts the degree of risk associated with this condition because the added expense of seeking additional accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION III – FEDERAL AWARD FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

None for the year ended June 30, 2009.

**HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

Finding No. 09-1 – Controls Over Financial Statement Preparation (Repeat of prior years finding: 08-1 and 07-1)

Condition:

The Regional Office of Education #26 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the accrual basis for disbursements and the cash basis for receipts. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, and deferred revenues.
- The Regional Office did not maintain adequate internal controls over the processing of all financial transactions, and numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.

Corrective Action Plan:

The Regional Office of Education #26 understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office accepts the degree of risk associated with this condition because the added expense of seeking additional accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region.

ANTICIPATED DATE OF COMPLETION:

Undetermined

CONTACT PERSON:

John Meixner, Regional Superintendent

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For Year Ended June 30, 2009

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
08-1	Controls over financial statement preparation	Repeated 09-1
08-2	Lack of cost allocation plan	Corrected

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

The Hancock/McDonough Regional Office of Education #26 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information with the Agency's financial statements, which follow.

2009 Financial Highlights

General Fund revenues increased from \$635,359 in fiscal year 2008 (FY 08) to \$635,715 in fiscal year 2009 (FY 09). The General Fund expenditures decreased from \$629,536 in FY 08 to \$615,189 in FY 09. The Regional Office experienced an increase in the General Fund balance from \$176,904 at the beginning of FY 09 to a General Fund balance of \$201,098 at the end of FY 09. FY 09 revenues were primarily up due to increases in funding for Hancock/McDonough Alternative Schools, Workforce Investment, and History Grants. Expenditures were elevated for FY 09 from the increases in these programs as well as the typical increase in costs of salaries and benefits.

Using This Annual Report

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Office's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Regional Office of Education #26 as a whole and present an overall view of the Office's finances.
- The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Office's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Supplementary information further explains and supports the financial statements with a comparison of the Office's detailed information for each category of funds and also provides detailed information about the non-major funds.

**HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

Reporting the Regional Office of Education #26 as a Whole

The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the Regional Office of Education #26 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Hancock/McDonough Regional Office of Education #26's assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

Fund Financial Statements

The fund financial statements provided detailed information about the Regional Office's funds, focusing on its most significant or "major" funds. Funds are accounting devices which allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by State law. The Hancock/McDonough Regional Office of Education #26 established other funds to control and manage money for particular purposes.

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

The governmental fund's required financial statements include a Balance Sheet and a Statement of Revenue, Expenditures and Changes in Fund Balances.

**HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

- 2) Proprietary funds account for services for which the Hancock/McDonough Regional Office of Education #26 charges fees under a cost-reimbursement method. These fees cover the costs of certain services and workshops it provides.

The proprietary fund's required financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows.

- 3) Fiduciary funds account for services for which the Hancock/McDonough Regional Office of Education #26 acts as fiscal agent for individuals and private or governmental organizations.

The fiduciary funds required financial statements include a Statement of Fiduciary Net Assets.

A summary reconciliation between the government-wide financial statements and the fund financial statements are included after each fund financial statement.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The Hancock/McDonough Regional Office of Education #26's net assets at the end of fiscal year 2008 totaled \$582,106. At the end of fiscal year 2009, the net assets were \$585,586.

Net assets related to the Teacher Institute Fund are considered restricted for teacher professional development.

The analysis that follows provides a summary of the Office's net assets at June 30, 2009 and 2008.

**HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

**CONDENSED STATEMENT OF NET ASSETS
June 30, 2009 and 2008**

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
ASSETS						
Current Assets						
Total Current Assets	\$759,425	\$591,243	\$548,805	\$502,222	\$1,308,230	\$1,093,465
Noncurrent Assets						
Capital Assets, net of depreciation	<u>71,324</u>	<u>75,371</u>	<u>50,111</u>	<u>53,751</u>	<u>121,435</u>	<u>129,122</u>
TOTAL ASSETS	<u>\$830,749</u>	<u>\$666,614</u>	<u>\$598,916</u>	<u>\$555,973</u>	<u>\$1,429,665</u>	<u>\$1,222,587</u>
LIABILITIES						
Current Liabilities						
Total Current Liabilities	\$293,181	\$145,790	\$519,752	\$466,532	\$812,933	\$612,322
Noncurrent Liabilities						
Compensated Absences	<u>31,146</u>	<u>28,159</u>	<u>-</u>	<u>-</u>	<u>31,146</u>	<u>28,159</u>
TOTAL LIABILITIES	<u>\$324,327</u>	<u>\$173,949</u>	<u>\$519,752</u>	<u>\$466,532</u>	<u>\$844,079</u>	<u>\$640,481</u>
NET ASSETS						
Investments in capital assets, net of related						
Debt	\$71,324	\$75,371	\$50,111	\$53,751	\$121,435	\$129,122
Unrestricted	413,109	387,650	29,053	35,690	442,162	423,340
Restricted for teacher professional development	<u>21,989</u>	<u>29,644</u>	<u>-</u>	<u>-</u>	<u>21,989</u>	<u>29,644</u>
TOTAL NET ASSETS	<u>\$506,422</u>	<u>\$492,665</u>	<u>\$79,164</u>	<u>\$89,441</u>	<u>\$585,586</u>	<u>\$582,106</u>

**HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

**CHANGES IN NET ASSETS
For the Years Ended June 30, 2009 and 2008**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$18,567	\$ 14,689	\$ 955,497	\$923,842	\$974,064	\$ 938,531
Operating grants & contributions	2,707,340	2,493,110	-	-	2,707,340	2,493,110
General Revenues:						
Local Sources	429,932	458,285	-	-	429,932	458,285
On-behalf payments	296,607	297,040	-	-	296,607	297,040
Investment income	1,843	17,866	-	-	1,843	17,866
Total Revenues	\$3,454,289	\$3,280,990	\$ 955,497	\$923,842	\$4,409,786	\$4,204,832
Expenses						
Salaries	\$1,473,727	\$1,428,121	\$ 31,040	\$24,810	\$1,504,767	\$1,452,931
Benefits	555,719	486,764	3,359	3,408	559,078	490,172
Purchased Services	794,652	795,270	5,823	12,304	800,475	807,574
Supplies and materials	96,816	132,578	920,081	864,766	1,016,897	997,344
Depreciation	27,976	27,850	5,471	5,320	33,447	33,170
Transfers-payments to other governmental units	195,035	200,969	-	-	195,035	200,969
On-behalf payments	296,607	297,040	-	-	296,607	297,040
Total Expenses	\$3,440,532	\$3,368,592	\$965,774	\$910,608	\$4,406,306	\$4,279,200
Change in net assets	\$ 13,757	\$ (87,602)	\$(10,277)	\$13,234	\$ 3,480	\$ (74,368)
Net assets-beginning	492,665	580,267	89,441	76,207	582,106	656,474
Net assets-ending	\$ 506,422	\$ 492,665	\$ 79,164	\$ 89,441	\$585,586	\$ 582,106

**HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

Governmental Activities

For FY 09, revenues for governmental activities were \$3,454,289 and expenses were \$3,440,532. The Regional Office of Education #26 determined that the increase in expense is due to higher salaries, benefits, and travel costs.

Business-Type Activities

Combined revenue and expense for the Hancock/McDonough Regional Office of Education #26's business-type activities reduced net assets by \$10,277.

Financial Analysis of the Regional Office of Education #26 Funds

As previously noted, the ROE #26 uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The Agency's Governmental Funds report combined fund balances of \$466,244.

Governmental Fund Highlights

- The number of dollars coming from the State of Illinois to the Regional Office of Education #26 for staff development programs has continued to decrease, impacting the number of programs that can be offered.
- The state aid accrued to the Regional Office of Education Safe School/Alternative School Programs has diminished due to decreases in enrollment.
- County support for the Regional Office of Education #26 will increase to \$88,636 for the county fiscal year, which runs from December 2009 through November, 2010. The previous year's support from the county totaled \$85,988.

**HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

Budgetary Highlights

The Office annually adopts a budget on a basis consistent with U.S. generally accepted accounting principles when required by the granting agency. The Illinois State Board of Education reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the Illinois State Board of Education for final approval. The budget may be amended during the year utilizing procedures prescribed by the Illinois State Board of Education. Schedules showing the budget amounts compared to the Office's actual financial activity are included in supplementary information of this report.

Capital Assets

The value of capital assets decreased during FY 2009 due to the depreciation of capital assets.

Economic Factors and Next Year's Budget

At the time these financial statements were prepared and audited, the Regional Office of Education #26 was aware of several existing circumstances that could affect its financial condition in the future:

- With the State of Illinois in the midst of an unprecedented financial crisis, the status of grant funding for the upcoming fiscal year is bleak at best. We are anticipating drastic cuts for many of our programs or the elimination of them.
- The County Boards of Hancock and McDonough Counties have increased their funding slightly to our office.
- The Child and Family Connections # 13 Grant anticipates a decrease in funding which may require layoffs in that program.
- The Regional Office of Education is required to maintain a high level of liability insurance, which increases in cost yearly.
- As costs for consumers rise (energy, maintenance, etc.), there will be increasing demands for employees to have raises that match or exceed past practices. These will be difficult to honor as both counties encompassed by Regional Office of Education #26 are burdened with considerable financial challenges.

**HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

Contacting the Regional Office's Financial Management

This financial report is designed to provide the Regional Office's citizens, taxpayers, clients, and other constituents with a general overview of its finances and demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the Regional Office of Education #26, 130 South Lafayette Street, Suite 200, Macomb, IL 61455.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
BASIC FINANCIAL STATEMENTS

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 440,448	\$ 27,101	\$ 467,549
Inventory	-	521,263	521,263
Due from other governments	318,977	441	319,418
Total current assets	\$ 759,425	\$ 548,805	\$ 1,308,230
 NONCURRENT ASSETS			
Capital assets, net of depreciation	71,324	50,111	121,435
TOTAL ASSETS	\$ 830,749	\$ 598,916	\$ 1,429,665
 LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 63,894	\$ 517,421	\$ 581,315
Deferred revenue	229,287	2,331	231,618
Total current liabilities	\$ 293,181	\$ 519,752	\$ 812,933
 NONCURRENT LIABILITIES			
Compensated absences	31,146	-	31,146
TOTAL LIABILITIES	\$ 324,327	\$ 519,752	\$ 844,079
 NET ASSETS			
Investments in capital assets, net of related debt	\$ 71,324	\$ 50,111	\$ 121,435
Unrestricted	413,109	29,053	442,162
Restricted for teacher professional development	21,989	-	21,989
TOTAL NET ASSETS	\$ 506,422	\$ 79,164	\$ 585,586

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

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 JUNE 30, 2009

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 212,092	\$ 182,946	\$ 39,149	\$ 6,261	\$ 440,448
Due from other funds	-	115,999	-	-	115,999
Due from other governments	-	318,977	-	-	318,977
TOTAL ASSETS	<u>\$ 212,092</u>	<u>\$ 617,922</u>	<u>\$ 39,149</u>	<u>\$ 6,261</u>	<u>\$ 875,424</u>
 LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 2,616	\$ 61,278	\$ -	\$ -	\$ 63,894
Due to other funds	8,378	107,621	-	-	115,999
Deferred revenue	-	212,127	17,160	-	229,287
Total liabilities	<u>\$ 10,994</u>	<u>\$ 381,026</u>	<u>\$ 17,160</u>	<u>\$ -</u>	<u>\$ 409,180</u>
 FUND BALANCE					
Unreserved					
General fund	\$ 201,098	\$ -	\$ -	\$ -	\$ 201,098
Special revenue funds	-	236,896	21,989	6,261	265,146
Total fund balance	<u>\$ 201,098</u>	<u>\$ 236,896</u>	<u>\$ 21,989</u>	<u>\$ 6,261</u>	<u>\$ 466,244</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 212,092</u>	<u>\$ 617,922</u>	<u>\$ 39,149</u>	<u>\$ 6,261</u>	<u>\$ 875,424</u>

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

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total fund balances - governmental funds \$ 466,244

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

Capital assets used in governmental activities are not
financial resources and therefore, are not reported in the funds. 71,324

Long-term liabilities are not due and payable in the current
period and, therefore, are not reported in the
governmental funds. (31,146)

Net assets of governmental activities \$ 506,422

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

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
REVENUES					
State sources	\$ -	\$ 1,706,385	\$ -	\$ 4,650	\$ 1,711,035
Federal sources	14,502	981,803	-	-	996,305
Local sources	407,758	28,428	9,726	4,430	450,342
On-behalf payments	213,455	83,152	-	-	296,607
Total revenues	\$ 635,715	\$ 2,799,768	\$ 9,726	\$ 9,080	\$ 3,454,289
EXPENDITURES					
Instructional services:					
Salaries	\$ 111,108	\$ 1,359,632	\$ -	\$ -	\$ 1,470,740
Benefits	144,681	411,038	-	-	555,719
Purchased services	121,540	651,386	16,334	5,392	794,652
Supplies and materials	9,903	85,422	1,047	444	96,816
Transfers - payments to other governmental units	14,502	180,533	-	-	195,035
On-behalf payments	213,455	83,152	-	-	296,607
Capital outlay	-	23,929	-	-	23,929
Total expenditures	\$ 615,189	\$ 2,795,092	\$ 17,381	\$ 5,836	\$ 3,433,498
Revenues over (under) expenditures	\$ 20,526	\$ 4,676	\$ (7,655)	\$ 3,244	\$ 20,791
Other financing sources (uses)					
Transfers in	\$ 4,049	\$ 2,619	\$ -	\$ -	\$ 6,668
Transfers out	(381)	(6,287)	-	-	(6,668)
Total other financing sources (uses)	\$ 3,668	\$ (3,668)	\$ -	\$ -	\$ -
Net change in fund balances	\$ 24,194	\$ 1,008	\$ (7,655)	\$ 3,244	\$ 20,791
FUND BALANCE, BEGINNING OF YEAR	176,904	235,888	29,644	3,017	445,453
FUND BALANCE, END OF YEAR	\$ 201,098	\$ 236,896	\$ 21,989	\$ 6,261	\$ 466,244

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

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 GOVERNMENTAL FUNDS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2009

Net change in fund balances \$ 20,791

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

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

Capital outlay	\$ 23,929	
Depreciation	<u>(27,976)</u>	(4,047)

Certain expenses in the Statement of Activities do not require the
 use of current financial resources and, therefore, are not
 reported as expenditures in governmental funds

(2,987)

Change in net assets of governmental activities

\$ 13,757

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

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2009

	Business-type Activities Enterprise Funds		Total
	Western Area Purchasing Co-Op	Nonmajor Enterprise Funds	
Assets			
Current assets			
Cash and cash equivalents	\$ 17,398	\$ 9,703	\$ 27,101
Due from other governments	-	441	441
Inventory	521,263	-	521,263
Total current assets	\$ 538,661	\$ 10,144	\$ 548,805
Noncurrent assets			
Equipment, net	\$ 5,845	\$ 4,266	\$ 10,111
Building, net	40,000	-	40,000
Total noncurrent assets	\$ 45,845	\$ 4,266	\$ 50,111
Total Assets	\$ 584,506	\$ 14,410	\$ 598,916
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 517,421	\$ -	\$ 517,421
Deferred revenue	2,331	-	2,331
Total liabilities	\$ 519,752	\$ -	\$ 519,752
Net Assets			
Invested in capital assets, net of related debt	\$ 45,845	\$ 4,266	\$ 50,111
Unrestricted	18,909	10,144	29,053
Total Net Assets	\$ 64,754	\$ 14,410	\$ 79,164

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

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2009

	Business-type Activities Enterprise Funds		Totals
	Western Area Purchasing Co-Op	Nonmajor Enterprise Funds	
Operating Revenues			
Charges for services	\$ 950,866	\$ 4,631	\$ 955,497
Operating Expenses			
Salaries	\$ 31,040	\$ -	\$ 31,040
Benefits	3,359	-	3,359
Purchased services	4,145	1,678	5,823
Supplies and materials	919,851	230	920,081
Depreciation	2,955	2,516	5,471
Total operating expenses	<u>\$ 961,350</u>	<u>\$ 4,424</u>	<u>\$ 965,774</u>
Net Operating Income (Loss)	<u>\$ (10,484)</u>	<u>\$ 207</u>	<u>\$ (10,277)</u>
Change in Net Assets	\$ (10,484)	\$ 207	\$ (10,277)
Net Assets, Beginning of year	<u>75,238</u>	<u>14,203</u>	<u>89,441</u>
Net Assets, End of year	<u>\$ 64,754</u>	<u>\$ 14,410</u>	<u>\$ 79,164</u>

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

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2009

	Business-type Activities		
	Enterprise Funds		
	Western		
	Area	Nonmajor	
	Purchasing	Enterprise	
	Co-Op	Funds	Totals
Cash Flows from Operating Activities:			
Receipts from customers	\$ 950,573	\$ 4,631	\$ 955,204
Payments to suppliers and providers of goods and services	(924,027)	(1,908)	(925,935)
Payments to employees	(34,399)	-	(34,399)
Net cash provided (used) by operating activities	<u>\$ (7,853)</u>	<u>\$ 2,723</u>	<u>\$ (5,130)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	\$ -	\$ (1,831)	\$ (1,831)
Net cash used by capital and related financing activities	<u>\$ -</u>	<u>\$ (1,831)</u>	<u>\$ (1,831)</u>
Cash Flows from Investing Activities:			
Interest received	\$ -	\$ -	\$ -
Net increase (decrease) in cash and cash equivalents	\$ (7,853)	\$ 892	\$ (6,961)
Cash and cash equivalents - Beginning of year	<u>25,251</u>	<u>8,811</u>	<u>34,062</u>
Cash and cash equivalents - End of year	<u>\$ 17,398</u>	<u>\$ 9,703</u>	<u>\$ 27,101</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (10,484)	\$ 207	\$ (10,277)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	2,955	2,516	5,471
Increase in assets:			
Inventory	(53,544)	-	(53,544)
Increase (Decrease) in liabilities:			
Accounts payable	53,513	-	53,513
Deferred revenue	(293)	-	(293)
Net cash provided (used) by operating activities	<u>\$ (7,853)</u>	<u>\$ 2,723</u>	<u>\$ (5,130)</u>

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

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 11,115</u>
TOTAL ASSETS	<u><u>\$ 11,115</u></u>
LIABILITIES	
Due to other governments	<u>\$ 11,115</u>
TOTAL LIABILITIES	<u><u>\$ 11,115</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The accounting policies of Hancock/McDonough Regional Office of Education #26 (ROE) substantially comply with the rules prescribed by the Illinois State Board of Education (ISBE). These accounting policies conform to Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board (GASB).

Reporting Entity

Hancock/McDonough Regional Office of Education #26 was created by Illinois Public Act 88-89, as amended. The ROE operates under the School Code (Articles 3 and 3A of *Illinois Compiled Statutes*, Chapter 105). The ROE encompasses Hancock and McDonough Counties. The voters of Hancock and McDonough Counties elect the Regional Superintendent of Schools. The Regional Superintendent of Schools (Superintendent) serves as chief administrative officer of the ROE and is elected pursuant to Article 3, *Illinois Compiled Statutes*, Chapter 105.

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

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of any monies distributed to treasurers, board presidents, clerks and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education #26's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required by law.

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Reporting Entity - continued

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

For the period ended June 30, 2009, the Regional Office of Education #26 applied for, received, and administered numerous State and federal programs and grants in assistance of the educational activities of the school districts in the region. Such activities are reported as a single major special revenue fund (Education Fund).

The ROE's financial statements include all funds of the ROE.

These are the only activities considered to be part of (controlled by or dependent on) the ROE, as determined by the application of the criteria set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. The ROE has developed criteria to determine whether outside agencies with activities which benefit the citizens of the region, including joint agreements which serve pupils from numerous school districts, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the ROE exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships. The blended component units described below are included in the ROE's reporting entity because of the significance of their operational or financial relationships with the ROE.

- *Western Area Purchasing Co-Op* is a joint agreement used to reduce costs to school districts by purchasing various supplies in larger quantities. School districts in West-Central Illinois place orders with the Co-Op, which accumulates the orders and purchases large quantities for distribution to the districts. The purchasing Co-Op is a discretionary activity fund.
- *Video Co-Op* is a joint agreement administered by the ROE, which maintains an inventory of videocassette tapes. The tapes and tape players are available for check-out by each of the school districts serviced by Regional Office of Education #26. The Video Co-Op is a discretionary activity fund.
- *Hancock/McDonough Alternative School and Alternative Training* – Used to account for State revenues and expenditures paid to provide an alternative education program in Hancock and McDonough Counties.
- *Gifted Co-Op Fund* – Used to account for a joint agreement for providing gifted instruction and coordination to school districts within ROE #26's region.

Furthermore, the ROE does not consider itself to be a component unit of any other entity.

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities are supported by intergovernmental revenues and are reported separate from business-type activities, which rely to a significant extent on fees and charges for support.

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 customers or 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 funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and reported in a single column.

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 financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay current liabilities. The ROE considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

Revenues from local sources consist primarily of fees charged to school districts for services rendered by the ROE. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Grant funds from the State of Illinois are considered to be earned to the extent of expenditures made under the provisions of the grant. Investment earnings are recorded as earned since they are measurable and available.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the Statement of Net Assets. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Under the provision of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the ROE applies all GASB pronouncements and has elected to apply only the pronouncements issued on or before November 30, 1989 for the following: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

The ROE reports the following major governmental funds:

General Fund - The General Fund is used to account for resources traditionally associated with government which are not required, legally or by sound financial management, to be accounted for in another fund. The ROE's General Fund accounts include the following:

- *County Funds* – Used to account for funds provided by the County Boards of Hancock and McDonough Counties for general office operation and maintenance.
- *Interest Fund* – Used to account for interest earned on the Distributive Fund for the mutual benefit of each school district in Hancock and McDonough Counties.
- *Regional Programs Funds* – Accounts for the cost of operating certain programs not paid for through special revenues or County funds and for interest earned on the Distributive Fund.
- *Office Administration Fund* – Accounts for indirect costs of operating programs.
- *Directory Fund* – Funded by contributions from local school districts to prepare an ROE directory.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

Education Fund – The Education Fund includes proceeds from specific revenue sources (generally all State and federal grants except Supervisory Expense and ROE/ISC Operations) that are legally restricted to expenditures for specified purposes. The ROE's Education Fund accounts include the following:

- *Early Childhood Grants* – Used to account for State grant proceeds for the early childhood education block grants.
- *Workforce Investment* – Used to account for coordination of optional education and vocational programs.
- *Novel* – Used to account for local fees associated with the ROE's Novel project.
- *Homeless Donation* – Used to account for donations given to assist the McKinney Education For Homeless Grant.
- *Child and Family Connections* – Used to account for a contractual agreement with the Illinois Department of Human Services to provide a caseworker for the purpose of monitoring teen parents receiving Aid to Dependent Children.
- *Hearing/Vision Screening* – Used to account for a hearing screenings program funded through the Illinois Department of Public Aid.
- *United Way* – Used to account for funding from local United Way for child birth classes and materials.
- *Pioneer Grant* – Used to promote mathematics and science in the Macomb Area.
- *Truants Alternative Optional Education* – Used to account for the cost of providing tutoring services and to encourage students to stay in school.
- *Regional Safe Schools* – Used to account for an alternative schools program of centralized instructional programs for students with specialized needs.
- *Title IV – Safe and Drug Free Formula* – Used to account for a regional, multi-district program on drug and alcohol abuser education and prevention for students throughout all grade levels (Pre-K thru 12).
- *McKinney Education for Homeless Children* – Used to account for the McKinney Education for Homeless Grant, a program to facilitate the enrollment, attendance and success of homeless youths in school.
- *Hancock/McDonough Alternative Schools* – Used to account for State revenues and expenditures paid to provide an alternative education program in Hancock and McDonough Counties.
- *ROE Technology Maintenance* – Used to account for revenues and expenditures of the ISBE Technology Maintenance grant program.
- *Regional System Provider/Federal System* – Used to account for State revenues to support a regionalized system of support to assist schools in academic difficulty.
- *Truants Alternative Optional Education Program (TAOEP) Training* – Used to account for State grant proceeds expended to train individuals in Truant Alternative Education.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

- *Teen Court* – Used to account for Department of Human Services funding of a project designed to help teens better understand the court system in which teens act as the jury in certain legal cases.
- *Gifted Co-Op* – Used to account for a joint agreement for providing gifted instruction and coordination to school districts within ROE #26's region.
- *Teaching American History Grant* – Used to account for federal grant proceeds received in the ROE's project to conduct nationally significant programs to improve the quality of education, assist all students to meet challenging State content standards, and contribute to the achievement of elementary and secondary students.
- *Adult Learning Resource Center* – Used to account for the ROE's subcontract with Schaumburg CUSD #54's McKinney Education for Homeless Grant.
- *Teen Parent Services* – Used to account for Department of Human Services funding for various programs for teen parents.

Additionally, the ROE reports the following fund types:

Governmental

Special Revenue Funds - Special Revenue Funds are used to account for the collection and disbursement of earmarked monies. The ROE's nonmajor Special Revenue Funds include the following:

- *Institute Fund* – Used to account for examination, registration and renewal fees and to defray expenses incidental to teacher's institutes, workshops and professional meetings.
- *General Education Development (GED) Fund* – Used to account for fees and expenditures incidental to administering the high school equivalency testing program.
- *Bus Driver Training* – Used to account for fees and expenditures incidental to conducting courses of instruction for school bus drivers pursuant to the standards established by the Illinois Secretary of State.
- *Supervisory Fund* – Used to account for travel and other expenditures necessary to perform the duty of supervising the school districts in the region.

Proprietary

Proprietary funds account for activities whose costs are funded by fees and charges. These fees and charges are paid by external users for goods or services. The ROE utilizes the following proprietary fund:

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Proprietary - Continued

- *Western Area Purchasing Co-Op* is a joint agreement used to reduce costs to school districts by purchasing various supplies in larger quantities. School districts in West-Central Illinois place orders with the Co-Op, which accumulates the orders and purchases large quantities for distribution to the districts. As noted previously, the purchasing Co-Op is a discretionary activity fund.

Additionally, the ROE reports the following nonmajor Proprietary Funds:

- *Video Co-Op* is a joint agreement administered by the ROE, which maintains an inventory of videocassette tapes. The tapes and tape players are available for check-out by each of the school districts serviced by Regional Office of Education #26. As noted previously, the VIDEO Co-Op is a discretionary activity fund.
- *Workshop Fund* is used to account for all activity for workshops managed by the ROE.

Fiduciary

Agency Funds – Fiduciary funds account for assets held by the ROE in a trustee or agency capacity. Agency funds are custodial in nature and do not involve measurement of results of operations. The ROE utilizes the following agency funds:

- *Distributive Fund* – The resources in this fund are received by and passed through the ROE to their owners. Entities whose resources are received by and passed through the distributive fund include the Western Area Career System, West Central Illinois Special Ed, and Regional Office of Education #26.
- *State Superintendent Fund* – Accounts for funds received from people applying for teaching certificates. The funds are received by the ROE which, in turn, sends them to the State Superintendent of Education on the individual's behalf. Since the State Superintendent of Education does not accept personal checks from the individuals, the ROE accepts their checks and then remits a check to the State on their behalf.
- *Regional Board of School Trustees Fund* – Accounts for the marketing and disposal of school properties belonging to local education agencies and for expenses related to detachment petitions.
- *Area III Superintendents Fund* – Accounts for all the Area III regional superintendents. Membership fees are used to provide meetings and seminars for disseminating current information on administration issues.
- *Hancock County Principal Fund* – Accounts for all the Hancock County principals. Fees are used to provide meetings and seminars for disseminating current information on administration issues.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Budgetary Data

The grant budgets are submitted to grantor agencies for approval and funding; however, no legal budget is required or adopted. A funding agreement is entered into upon approval of the budget by the grantor. Any subsequent budget revisions must be approved by the grantor. The following accounts prepare budgets:

Early Childhood Block Grant	McKinney Education for Homeless
Early Childhood Grant	Children
Truants Alternative Optional Education	Truants Alternative Optional Education
Regional Safe Schools	Program Training
Title IV – Safe and Drug Free Formula	Teaching American History Grant
Work Force Investment	

Budgets for the other funds of the ROE are not legally required and have not been prepared. Accordingly, no actual to budget comparison is included in the basic financial statements. The actual to budget comparisons are prepared on the modified accrual basis of accounting. The ROE is required to report, in its financial statements, payments made by the State of Illinois to the Teachers' Retirement System. These "on-behalf" payments of \$83,152, which were not required to be budgeted, are recorded in the Education Fund. These payments were recorded as both revenues and expenditures in accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*.

Cash and Cash Equivalents

Cash consists of demand deposits. For purposes of the Statement of Cash Flows, the ROE considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Inventories

Inventories are carried at the lower of cost or market, cost being determined on the first-in, first-out (FIFO) method.

Due From Other Governments

Due from other governmental units and agencies is reported at gross with no allowance for uncollectibles since management feels the amount of any uncollectible accounts is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Capital Assets

Capital assets, which include buildings, software, and furniture and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The ROE records all capital items, which are individually greater than \$500, with a useful life of greater than one year, as fixed assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Software	3
Furniture and equipment	5
Buildings	40

Compensated Absences

Sick leave accrues to full-time, permanent employees and part-time employees who work at least 850 hours per year to specified maximums. At resignation, layoff or retirement, unused sick leave may be applied to IMRF pension service credit, however there is no compensation to the employee upon separation of service. Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the ROE.

Fund Equity

In the government-wide financial statements fund equity is displayed in three components:

Unrestricted net assets – All other net assets which do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Investment in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Fund Equity - Continued

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

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, gains, losses, and other changes in fund balance during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

The *Illinois Compiled Statutes* authorize the ROE to invest in U.S. Government, State of Illinois, and municipal securities; certificates of deposit or time savings deposits insured by the FDIC; mortgage notes, bonds, or debentures issued by the Federal Housing Administration; bonds and other obligations of the Federal National Mortgage Association; commercial paper rated within the three highest classifications by at least two standard rating services; credit union shares; and the Illinois Funds.

Bank Deposits

At June 30, 2009, the government-wide and agency fund's carrying amounts of the ROE's various bank deposits totaled \$467,549 and \$11,115, respectively. The bank balances totaled \$567,380. Included in the bank balance is \$30,165 invested in the Illinois Funds. The ROE has obtained sufficient collateral for any excess cash on deposit.

Custodial Credit Risk - Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the ROE's deposits may not be returned to it. The ROE does not have a formal investment policy to guard against custodial credit risk for deposits with financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS - Continued

Investments

The ROE does not have a formal investment policy but requires that funds be invested solely in investments authorized by the Public Funds Investment Act, 30 ILCS 235/2.

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the ROE will not be able to recover the value of its investments that are in possession of an outside party.

Interest Rate Risk - The ROE invests solely in investments authorized by the Public Funds Investment Act, 30 ILCS 235/2.

Credit Risk - The Illinois Funds (the Fund) is an external investment pool authorized by the Illinois General Assembly. The Fund is exempt from registering with the Securities and Exchange Commission. The Fund is rated by Standard and Poors upon the request of the Fund's management. The most recent money market rating issued by Standard and Poors was AAAM. The fair value of the position in the Illinois Funds Investment Pool is the same as the value of the pool shares. Illinois State Statute provides the Illinois State Treasurer with regulatory oversight over the Pool.

3. CAPITAL ASSETS

Governmental Activities

Capital asset activity for the year ended June 30, 2009 is as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Software and equipment	\$ 172,486	\$ 23,929	\$ -	\$ 196,415
Less accumulated depreciation for:				
Software and equipment	<u>97,115</u>	<u>27,976</u>	<u>-</u>	<u>125,091</u>
Total capital assets, net of accumulated depreciation	<u>\$ 75,371</u>	<u>\$ (4,047)</u>	<u>\$ -</u>	<u>\$ 71,324</u>

Depreciation was charged to the Instructional Services activity.

NOTES TO THE FINANCIAL STATEMENTS

3. CAPITAL ASSETS - Continued

Business-type Activities

Capital asset activity for the year ended June 30, 2009 is as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Building	\$ 50,000	\$ -	\$ -	\$ 50,000
Software and equipment	23,737	1,831	-	25,568
Less accumulated depreciation for:				
Building	8,750	1,250	-	10,000
Software and equipment	11,236	4,221	-	15,457
Total capital assets, net of accumulated depreciation	<u>\$ 53,751</u>	<u>\$ (3,640)</u>	<u>\$ -</u>	<u>\$ 50,111</u>

Depreciation was charged to the Other activity.

4. LONG-TERM DEBT

The ROE records a liability associated with compensated absences. During the fiscal year, the amount in this account increased by \$2,987. At June 30, 2009, the balance in this account was \$31,146.

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Compensated absences	<u>\$ 28,159</u>	<u>\$ 2,987</u>	<u>\$ -</u>	<u>\$ 31,146</u>

5. EMPLOYEE'S RETIREMENT PLANS

A. Illinois Municipal Retirement Fund

Plan Description. The ROE'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 ROE 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 report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

NOTES TO THE FINANCIAL STATEMENTS

5. EMPLOYEE'S RETIREMENT PLANS – Continued

A. Illinois Municipal Retirement Fund - continued

Funding Policy. As set by statute, the ROE 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 contribution rate for calendar year 2008 was 9.04 percent of annual covered payroll. The ROE also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. For 2008, the ROE's annual pension cost of \$72,618 for the regular plan was equal to the ROE's required and actual contributions.

Three-Year Trend Information for the Regular Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/08	\$ 72,618	100%	\$ -
12/31/07	54,284	100%	-
12/31/06	44,073	100%	-

The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2006 included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.0% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2006 was 5 years.

Funded Status and Funding Progress. As of December 31, 2008, the most recent actuarial valuation date, the regular plan was 87.49 percent funded. The actuarial accrued liability for benefits was \$1,225,464 and the actuarial value of assets was \$1,072,190, resulting in an underfunded actuarial accrued liability (UAAL) of \$153,274. The covered payroll (annual payroll of active employees covered by the plan) was \$803,302 and the ratio of the UAAL to the covered payroll was 19.08 percent.

NOTES TO THE FINANCIAL STATEMENTS

5. EMPLOYEE'S RETIREMENT PLANS – Continued

A. Illinois Municipal Retirement Fund - continued

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

B. Illinois Teachers' Retirement System (TRS)

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

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

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 2009 was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4 percent for the years ended June 30, 2008 and 2007.

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

- **On Behalf Contributions**

The State of Illinois makes employer pension contributions on behalf of the ROE. For the year ended June 30, 2009, State of Illinois contributions were based on 17.08 percent of creditable earnings not paid from federal funds, and the ROE recognized revenue and expenditures of \$83,152 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2008 and June 30, 2007, the State of Illinois contribution rates as percentages of creditable earnings were 13.11 percent (\$62,670) and 9.78 percent (\$43,140), respectively. The State contributions to TRS for the years ended June 30, 2009 and June 30, 2008 were based on an actuarial formula.

NOTES TO THE FINANCIAL STATEMENTS

5. EMPLOYEE'S RETIREMENT PLANS – Continued

B. Illinois Teachers' Retirement System (TRS) - continued

The state contributions for the year ended June 30, 2007 was based on dollar amounts specified by the statute and was not actuarially determined.

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

- 2.2 Formula Contributions

Employers contributed 0.58 percent of creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ending June 30, 2009 were \$2,824. Contributions for the years ended June 30, 2008 and June 30, 2007, were \$2,773 and \$2,559, respectively.

- Federal and Trust Fund Contributions

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

For the year ended June 30, 2009, the employer pension contribution was 17.08 percent of salaries paid from federal and trust funds. For the year ended June 30, 2008 and 2007, the employer pension contribution was 13.11 and 9.78 percent of salaries paid from federal and trust funds, respectively. For the year ended June 30, 2009, salaries totaling \$76,216 were paid from federal and trust funds that required employer contributions of \$13,018. For the years ended June 30, 2008 and June 30, 2007, required ROE contributions were \$6,415 and \$6,514, respectively.

- Early Retirement Option

The ROE is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member and under which ERO program the member retires.

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

NOTES TO THE FINANCIAL STATEMENTS

5. EMPLOYEE'S RETIREMENT PLANS – Continued

B. Illinois Teachers' Retirement System (TRS) – Continued

Under the Pipeline ERO, the maximum employer contribution is 100 percent of the member's highest salary used in the final average salary calculation.

Under the Modified ERO, the maximum employer contribution is 117.5 percent.

Both the 100 percent and 117.5 percent maximums apply when the member is age 55 at retirement.

For the year ended June 30, 2009, the ROE paid \$-0- to TRS for employer contributions under the Pipeline ERO and Modified ERO programs. For the years ended June 30, 2008 and June 30, 2007, the ROE made no payments in employer ERO contributions.

- Salary increases over 6 percent and excess sick leave.

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

If an employer grants salary increases over 6 percent and those salaries are used to calculate a retiree's final average salary, the employer makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases up to 6 percent. For the years ended June 30, 2009, 2008, and 2007, the ROE paid no TRS for employer contributions due on salary increases in excess of 6 percent, respectively.

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used to calculate final average salary, and the TRS total normal cost rate (18.67 percent of salary during the year ended June 30, 2009).

For the years ended June 30, 2008, 2007 and 2006, there were no 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, 2008. The report for the year ended June 30, 2009 is expected to be available in late 2009.

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

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26

NOTES TO THE FINANCIAL STATEMENTS

6. DUE FROM OTHER GOVERNMENTS

A summary of amounts due from other governments at June 30, 2009 follows:

Education Fund:	
Illinois Department of Human Services	\$ 69,410
U.S. Department of Education	10,811
Adult Learning Resource Center	237,198
Southeastern Community Unit School District #337	<u>1,558</u>
Total Education Fund	\$ <u>318,977</u>
Enterprise Fund:	
Southeastern Community Unit School District #337	\$ <u>441</u>
Total	\$ <u>319,418</u>

7. DUE TO OTHER GOVERNMENTS

A summary of amounts due to other governments from agency funds at June 30, 2009 follows:

Agency Funds:	
State Superintendent Fund	\$ 1,482
Regional Board of School Trustees	1,736
Area III Superintendents	2,982
Hancock County Principal Fund	<u>4,915</u>
Total Agency Funds	<u>\$11,115</u>

8. INTERFUND RECEIVABLES AND PAYABLES

Funds periodically borrow from other funds to cover temporary cash shortages. These loans are usually paid in full within a few months. No interest is charged on the loans outstanding. Following is a summary of the outstanding amounts due from (to) other funds as of June 30, 2009:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Education Fund	\$115,999	\$107,621
General Fund	-	<u>8,378</u>
Total	<u>\$115,999</u>	<u>\$115,999</u>

NOTES TO THE FINANCIAL STATEMENTS

9. RISK MANAGEMENT

The ROE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Insurance to cover these risks is provided through Hancock and McDonough Counties. Claims from these risks have not exceeded commercial insurance coverage during the current fiscal year and the previous two fiscal years.

10. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Generally accepted accounting principles require disclosure of certain information concerning individual funds (which are presented only in combination on the financial statements). Funds having deficit fund balances and funds which over-expended appropriations during the year are required to be disclosed.

The following fund had a deficit fund balance at June 30, 2009:

Office Administration Fund	\$378
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11. ON-BEHALF SALARIES AND BENEFITS PAYMENTS

As previously noted, the State of Illinois makes employer pension contributions on behalf of the ROE. The salaries, benefits, and TRS contributions of the Regional Superintendent and the Assistant Superintendent are paid by the State of Illinois. The amounts paid by the State of Illinois are as follows:

Regional Superintendent salary	\$ 96,435
Regional Superintendent benefits (Includes State paid insurance)	19,415
Assistant Regional Superintendent salary	86,791
Assistant Regional Superintendent benefits (Includes State paid insurance)	<u>10,814</u>
Total	<u>\$213,455</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.

These awards are included in the financial statements of the General Revenue Fund as on-behalf payments. In addition to the \$213,455 above, Special Revenue Fund on-behalf payments include \$83,152 for TRS contributions (all of which is accounted for in the Education Fund) for other employees for a total of \$296,607 for the year ended June 30, 2009.

NOTES TO THE FINANCIAL STATEMENTS

12. LEASE OBLIGATIONS

The ROE leases classroom and office space from various locations. Future minimum rental payments under non-cancellable operating leases are as follows:

2010	\$71,607
2011	\$32,193
2012	\$32,385

Rent expense for the year ended June 30, 2009 was \$71,426.

13. NEW ACCOUNTING PRONOUNCEMENTS

Effective June 30, 2009, the ROE adopted Governmental Accounting Standards Board Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. There was no impact on the ROE's financial statements as a result of adopting this statement.

Effective June 30, 2009, the ROE adopted Governmental Accounting Standards Board Statement No. 52, Land and Other Real Estate Held as Investments in Endowments. There was no impact on the ROE's financial statements as a result of adopting this statement.

14. USE OF FUNDING SOURCES

Under the terms of grant agreements, the ROE funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. It is the policy of the ROE to first apply cost-reimbursement grant resources to such programs and then general revenues.

15. TRANSFERS

The Office Administration Fund (\$381) and the Gifted Co-Op (\$3,668) programs were closed into the Regional Programs Fund. The Hancock/McDonough Alternative Schools (\$2,619) transferred donations received to a separate fund, Homeless Donation.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26

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

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 ILLINOIS MUNICIPAL RETIREMENT FUND - REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 JUNE 30, 2009

(See Accompanying Independent Auditor's Report)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2008	\$ 1,072,190	\$ 1,225,464	\$ 153,274	87.49%	\$ 803,302	19.08 %
12/31/2007	1,045,150	1,080,871	35,721	96.70%	787,869	4.53 %
12/31/2006	883,484	895,956	12,472	98.61%	702,914	1.77 %

On a market basis, the actuarial value of assets as of December 31, 2008 is \$851,002. On a market basis, the funded ratio would be 69.44%.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26

OTHER SUPPLEMENTARY INFORMATION

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
GENERAL FUND ACCOUNTS
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2009

	County Funds	Interest Fund	Regional Programs Fund	Office Administration Fund	Directory Fund	Totals
Assets						
Cash and cash equivalents	\$ 22,809	\$ 34,977	\$ 149,051	\$ -	\$ 5,255	\$ 212,092
Total Assets	\$ 22,809	\$ 34,977	\$ 149,051	\$ -	\$ 5,255	\$ 212,092
Liabilities and Fund Balance						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 2,616	\$ -	\$ -	\$ 2,616
Due to other funds	-	-	8,000	378	-	8,378
Total Liabilities	\$ -	\$ -	\$ 10,616	\$ 378	\$ -	\$ 10,994
Fund Balance (Deficit)						
Fund balance (deficit) - unreserved	22,809	34,977	138,435	(378)	5,255	201,098
Total Liabilities and Fund Balance (Deficit)	\$ 22,809	\$ 34,977	\$ 149,051	\$ -	\$ 5,255	\$ 212,092

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
GENERAL FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

	County Funds	Interest Fund	Regional Programs Fund	Office Administration Fund	Directory Fund	Totals
Revenues						
Federal sources	\$ -	\$ -	\$ 14,502	\$ -	\$ -	\$ 14,502
Local sources	102,460	-	298,918	5,940	440	407,758
On-behalf payments	-	-	213,455	-	-	213,455
Total Revenues	\$ 102,460	\$ -	\$ 526,875	\$ 5,940	\$ 440	\$ 635,715
Expenditures						
Salaries	\$ 53,765	\$ -	\$ 57,343	\$ -	\$ -	\$ 111,108
Benefits	22,517	-	122,164	-	-	144,681
Purchased services	4,602	438	116,500	-	-	121,540
Supplies and materials	3,900	-	3	6,000	-	9,903
Transfers - payments to other governmental units	-	-	14,502	-	-	14,502
On-behalf payments	-	-	213,455	-	-	213,455
Total Expenditures	\$ 84,784	\$ 438	\$ 523,967	\$ 6,000	\$ -	\$ 615,189
Revenues over(under) expenditures	\$17,676	\$ (438)	\$ 2,908	\$ (60)	\$ 440	\$ 20,526
Other Financing Sources/(Uses)						
Transfers in	\$ -	\$ -	\$ 4,049	\$ -	\$ -	\$ 4,049
Transfers out	-	-	-	(381)	-	(381)
	\$ -	\$ -	\$ 4,049	\$ (381)	\$ -	\$ 3,668
Net change in fund balances	\$17,676	\$ (438)	\$ 6,957	\$ (441)	\$ 440	\$ 24,194
Fund Balance, Beginning of year	5,133	35,415	131,478	63	4,815	176,904
Fund Balance (Deficit), End of year	\$ 22,809	\$ 34,977	\$ 138,435	\$ (378)	\$ 5,255	\$ 201,098

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2009

	<u>Early Childhood Block Grant</u>	<u>Early Childhood Grant</u>	<u>Workforce Investment</u>	<u>Novel</u>
Assets				
Cash and cash equivalents	\$ -	\$ 8,710	\$ 2,731	\$ 51,307
Due from other funds	-	-	-	-
Due from other governments	<u>43,920</u>	<u>57,000</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>\$ 43,920</u></u>	<u><u>\$ 65,710</u></u>	<u><u>\$ 2,731</u></u>	<u><u>\$ 51,307</u></u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ -	\$ 26,506	\$ -	\$ 5,000
Due to other funds	28,325	-	-	-
Due to other governments	-	-	-	-
Deferred revenue	<u>14,873</u>	<u>38,472</u>	<u>2,731</u>	<u>-</u>
Total Liabilities	<u><u>\$ 43,198</u></u>	<u><u>\$ 64,978</u></u>	<u><u>\$ 2,731</u></u>	<u><u>\$ 5,000</u></u>
Fund Balance				
Unreserved				
Designated	\$ 722	\$ 732	\$ -	\$ 46,307
Undesignated	-	-	-	-
Total Fund Balance	<u><u>\$ 722</u></u>	<u><u>\$ 732</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 46,307</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 43,920</u></u>	<u><u>\$ 65,710</u></u>	<u><u>\$ 2,731</u></u>	<u><u>\$ 51,307</u></u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2009

	<u>Homeless Donation</u>	<u>Child & Family Connections</u>	<u>Hearing/ Vision Screening</u>	<u>United Way</u>
Assets				
Cash and cash equivalents	\$ 2,619	\$ -	\$ -	\$ 742
Due from other funds	-	-	-	-
Due from other governments	-	56,192	1,558	-
Total Assets	<u>\$ 2,619</u>	<u>\$ 56,192</u>	<u>\$ 1,558</u>	<u>\$ 742</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ -	\$ 1,945	\$ -	\$ -
Due to other funds	-	28,523	611	-
Due to other governments	-	-	-	-
Deferred revenue	-	21,982	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ 52,450</u>	<u>\$ 611</u>	<u>\$ -</u>
Fund Balance				
Unreserved				
Designated	\$ 2,619	\$ 3,742	\$ 947	\$ 742
Undesignated	-	-	-	-
Total Fund Balance	<u>\$ 2,619</u>	<u>\$ 3,742</u>	<u>\$ 947</u>	<u>\$ 742</u>
Total Liabilities and Fund Balance	<u>\$ 2,619</u>	<u>\$ 56,192</u>	<u>\$ 1,558</u>	<u>\$ 742</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2009

	Pioneer Grant	Truants Alternative Optional Education	Regional Safe Schools	Title IV - Safe and Drug Free Formula	McKinney Education for Homeless Children
Assets					
Cash and cash equivalents	\$ 15,315	\$ -	\$ -	\$ 632	\$ 1,432
Due from other funds	-	-	-	-	-
Due from other governments	-	25,444	15,984	-	-
Total Assets	\$ 15,315	\$ 25,444	\$ 15,984	\$ 632	\$ 1,432
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	13,012	4,725	-	-
Due to other governments	-	-	-	-	-
Deferred revenue	15,315	12,432	11,259	-	387
Total Liabilities	\$ 15,315	\$ 25,444	\$ 15,984	\$ -	\$ 387
Fund Balance					
Unreserved					
Designated	\$ -	\$ -	\$ -	\$ 632	\$ 1,045
Undesignated	-	-	-	-	-
Total Fund Balance	\$ -	\$ -	\$ -	\$ 632	\$ 1,045
Total Liabilities and Fund Balance	\$ 15,315	\$ 25,444	\$ 15,984	\$ 632	\$ 1,432

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2009

	Hancock/ McDonough Alternative Schools	ROE Technology Maintenance	Regional System Provider/ Federal System	Truants Alternative Optional Education Program Training
Assets				
Cash and cash equivalents	\$ 80,400	\$ 3,416	\$ 11,929	\$ -
Due from other funds	107,999	-	8,000	-
Due from other governments	-	-	-	94,850
Total Assets	<u>\$ 188,399</u>	<u>\$ 3,416</u>	<u>\$ 19,929</u>	<u>\$ 94,850</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 13,303	\$ -	\$ -	\$ -
Due to other funds	-	-	-	19,207
Due to other governments	-	-	-	-
Deferred revenue	-	-	19,929	74,747
Total Liabilities	<u>\$ 13,303</u>	<u>\$ -</u>	<u>\$ 19,929</u>	<u>\$ 93,954</u>
Fund Balance				
Unreserved				
Designated	\$ 175,096	\$ 3,416	\$ -	\$ 896
Undesignated	-	-	-	-
Total Fund Balance	<u>\$ 175,096</u>	<u>\$ 3,416</u>	<u>\$ -</u>	<u>\$ 896</u>
Total Liabilities and Fund Balance	<u>\$ 188,399</u>	<u>\$ 3,416</u>	<u>\$ 19,929</u>	<u>\$ 94,850</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2009

	Teen Court	Gifted Co-Op	Teaching American History Grant	Adult Learning Resource Center	Teen Parent Services	Totals
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ 3,713	\$ -	\$ -	\$ 182,946
Due from other funds	-	-	-	-	-	115,999
Due from other governments	13,218	-	10,811	-	-	318,977
Total Assets	\$ 13,218	\$ -	\$ 14,524	\$ -	\$ -	\$ 617,922
Liabilities and Fund Balance						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 14,524	\$ -	\$ -	\$ 61,278
Due to other funds	13,218	-	-	-	-	107,621
Due to other governments	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	212,127
Total Liabilities	\$ 13,218	\$ -	\$ 14,524	\$ -	\$ -	\$ 381,026
Fund Balance						
Unreserved						
Designated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 236,896
Undesignated	-	-	-	-	-	-
Total Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 236,896
Total Liabilities and Fund Balance	\$ 13,218	\$ -	\$ 14,524	\$ -	\$ -	\$ 617,922

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

	Early Childhood Block Grant	Early Childhood Grant	Workforce Investment	Novel
Revenues				
State sources	\$ 239,056	\$ 341,926	\$ -	\$ -
Federal sources	-	-	45,269	-
Local sources	-	-	-	12,545
On-behalf payments	-	32,826	-	-
Total Revenues	<u>\$ 239,056</u>	<u>\$ 374,752</u>	<u>\$ 45,269</u>	<u>\$ 12,545</u>
Expenditures				
Salaries	\$ 159,806	\$ 217,703	\$ 32,000	\$ -
Benefits	38,406	45,871	5,879	-
Purchased services	34,992	42,522	2,048	6,000
Supplies and materials	5,852	33,286	5,342	-
Transfers - payments to other governmental units	-	-	-	-
Capital outlay	-	2,544	-	-
On-behalf payments	-	32,826	-	-
Total Expenditures	<u>\$ 239,056</u>	<u>\$ 374,752</u>	<u>\$ 45,269</u>	<u>\$ 6,000</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,545</u>
Other Financing Sources/(Uses)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ 6,545
Fund Balance, Beginning of year	722	732	\$ -	39,762
Fund Balance, End of year	<u>\$ 722</u>	<u>\$ 732</u>	<u>\$ -</u>	<u>\$ 46,307</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2009

	Homeless Donation	Child & Family Connections	Hearing/ Vision Screening	United Way
Revenues				
State sources	\$ -	\$ 437,251	\$ -	\$ -
Federal sources	-	213,471	-	-
Local sources	-	-	7,705	2,094
On-behalf payments	-	-	-	-
Total Revenues	<u>\$ -</u>	<u>\$ 650,722</u>	<u>\$ 7,705</u>	<u>\$ 2,094</u>
Expenditures				
Salaries	\$ -	\$ 396,179	\$ 5,270	\$ 468
Benefits	-	132,792	403	37
Purchased services	-	112,613	1,085	-
Supplies and materials	-	7,193	-	1,400
Transfers - payments to other governmental units	-	-	-	-
Capital outlay	-	1,945	-	-
On-behalf payments	-	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ 650,722</u>	<u>\$ 6,758</u>	<u>\$ 1,905</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 947</u>	<u>\$ 189</u>
Other Financing Sources/(Uses)				
Transfers in	\$ 2,619	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
	<u>\$ 2,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 2,619	\$ -	\$ 947	\$ 189
Fund Balance, Beginning of year	<u>-</u>	<u>3,742</u>	<u>-</u>	<u>553</u>
Fund Balance, End of year	<u>\$ 2,619</u>	<u>\$ 3,742</u>	<u>\$ 947</u>	<u>\$ 742</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2009

	Pioneer Grant	Truants Alternative Optional Education	Regional Safe Schools	Title IV - Safe and Drug Free Formula	McKinney Education for Homeless Children
Revenues					
State sources	\$ -	\$ 135,739	\$ 88,039	\$ -	\$ -
Federal sources	-	-	-	1,051	278,980
Local sources	-	-	-	-	186
On-behalf payments	-	5,434	11,068	-	13,018
Total Revenues	\$ -	\$ 141,173	\$ 99,107	\$ 1,051	\$ 292,184
Expenditures					
Salaries	\$ -	\$ 72,481	\$ 58,340	\$ 514	\$ 63,339
Benefits	-	29,013	20,920	-	18,278
Purchased services	-	34,245	8,998	537	10,313
Supplies and materials	-	-	-	-	6,517
Transfers - payments to other governmental units	-	-	-	-	180,533
Capital outlay	-	-	-	-	-
On-behalf payments	-	5,434	11,068	-	13,018
Total Expenditures	\$ -	\$ 141,173	\$ 99,326	\$ 1,051	\$ 291,998
Revenues over (under) expenditures	\$ -	\$ -	\$ (219)	\$ -	\$ 186
Other Financing Sources/(Uses)					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ (219)	\$ -	\$ 186
Fund Balance, Beginning of year	-	-	219	632	859
Fund Balance, End of year	\$ -	\$ -	\$ -	\$ 632	\$ 1,045

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

	Hancock/ McDonough Alternative Schools	ROE Technology Maintenance	Regional System Provider/ Federal System	Truants Alternative Optional Education Program Training
Revenues				
State sources	\$ 228,865	\$ -	\$ 36,071	\$ 149,193
Federal sources	57,991	-	-	-
Local sources	3,164	-	2,244	-
On-behalf payments	15,001	-	5,805	-
Total Revenues	\$ 305,021	\$ -	\$ 44,120	\$ 149,193
Expenditures				
Salaries	\$ 120,100	\$ -	\$ 33,983	\$ 85,799
Benefits	94,067	-	730	15,185
Purchased services	53,682	-	3,602	47,132
Supplies and materials	15,870	-	-	1,428
Transfers - payments to other governmental units	-	-	-	-
Capital outlay	6,018	-	-	-
On-behalf payments	15,001	-	5,805	-
Total Expenditures	\$ 304,738	\$ -	\$ 44,120	\$ 149,544
Revenues over (under) expenditures	\$ 283	\$ -	\$ -	\$ (351)
Other Financing Sources/(Uses)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	(2,619)	-	-	-
	\$ (2,619)	\$ -	\$ -	\$ -
Net change in fund balances	\$ (2,336)	\$ -	\$ -	\$ (351)
Fund Balance, Beginning of year	177,432	3,416	-	1,247
Fund Balance, End of year	\$ 175,096	\$ 3,416	\$ -	\$ 896

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2009

	Teen Court	Gifted Co-Op	Teaching American History Grant	Adult Learning Resource Center	Teen Parent Services	Totals
Revenues						
State sources	\$ 40,718	\$ -	\$ -	\$ -	\$ 9,527	\$ 1,706,385
Federal sources	-	-	372,778	5,263	7,000	981,803
Local sources	227	-	-	-	263	28,428
On-behalf payments	-	-	-	-	-	83,152
Total Revenues	<u>\$ 40,945</u>	<u>\$ -</u>	<u>\$ 372,778</u>	<u>\$ 5,263</u>	<u>\$ 16,790</u>	<u>\$ 2,799,768</u>
Expenditures						
Salaries	\$ 31,986	\$ -	\$ 72,754	\$ 2,203	\$ 6,707	\$ 1,359,632
Benefits	4,715	-	2,920	295	1,527	411,038
Purchased services	3,166	-	276,334	5,561	8,556	651,386
Supplies and materials	1,078	-	7,348	108	-	85,422
Transfers - payments to other governmental units	-	-	-	-	-	180,533
Capital outlay	-	-	13,422	-	-	23,929
On-behalf payments	-	-	-	-	-	83,152
Total Expenditures	<u>\$ 40,945</u>	<u>\$ -</u>	<u>\$ 372,778</u>	<u>\$ 8,167</u>	<u>\$ 16,790</u>	<u>\$ 2,795,092</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,904)</u>	<u>\$ -</u>	<u>\$ 4,676</u>
Other Financing Sources/(Uses)						
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,619
Transfers out	-	(3,668)	-	-	-	(6,287)
	<u>\$ -</u>	<u>\$ (3,668)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,668)</u>
Net change in fund balances	\$ -	\$ (3,668)	\$ -	\$ (2,904)	\$ -	\$ 1,008
Fund Balance, Beginning of year	-	3,668	-	2,904	-	235,888
Fund Balance, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 236,896</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 EARLY CHILDHOOD BLOCK GRANT
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
State sources	\$ 245,991	\$ 250,911	\$ 239,056	\$ (11,855)
Local sources	-	-	-	-
Total Revenues	<u>\$ 245,991</u>	<u>\$ 250,911</u>	<u>\$ 239,056</u>	<u>\$ (11,855)</u>
Expenditures				
Salaries	\$ 164,703	\$ 168,091	\$ 159,806	\$ 8,285
Benefits	45,708	43,489	38,406	5,083
Purchased/contracted services	29,830	36,150	34,992	1,158
Materials and supplies	5,750	3,181	5,852	(2,671)
Total Expenditures	<u>\$ 245,991</u>	<u>\$ 250,911</u>	<u>\$ 239,056</u>	<u>\$ 11,855</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>
Fund Balance, Beginning of year			<u>722</u>	
Fund Balance, End of year			<u>\$ 722</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 EARLY CHILDHOOD GRANT
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
State sources	\$ 342,000	\$ 348,840	\$ 341,926	\$ (6,914)
Local sources	-	-	-	-
On-behalf payments	-	-	32,826	32,826
Total Revenues	<u>\$ 342,000</u>	<u>\$ 348,840</u>	<u>\$ 374,752</u>	<u>\$ 25,912</u>
Expenditures				
Salaries	\$ 219,933	\$ 219,933	\$ 217,703	\$ 2,230
Benefits	51,129	51,129	45,871	5,258
Purchased/contracted services	33,945	33,945	42,522	(8,577)
Materials and supplies	36,993	39,833	33,286	6,547
Capital Outlay	-	4,000	2,544	1,456
On-behalf payments	-	-	32,826	(32,826)
Total Expenditures	<u>\$ 342,000</u>	<u>\$ 348,840</u>	<u>\$ 374,752</u>	<u>\$ (25,912)</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 \$ -	 <u>\$ -</u>
 Fund Balance, Beginning of year			 <u>732</u>	
 Fund Balance, End of year			 <u>\$ 732</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 TRUANTS ALTERNATIVE OPTIONAL EDUCATION
 FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues				
State sources	\$ 139,654	\$ 139,654	\$ 135,739	\$ (3,915)
On-behalf payments	-	-	5,434	5,434
Total Revenues	<u>\$ 139,654</u>	<u>\$ 139,654</u>	<u>\$ 141,173</u>	<u>\$ 1,519</u>
Expenditures				
Salaries	\$ 75,230	\$ 75,230	\$ 72,481	\$ 2,749
Benefits	28,336	28,336	29,013	(677)
Purchased/contracted services	36,088	36,088	34,245	1,843
On-behalf payments	-	-	5,434	(5,434)
Total Expenditures	<u>\$ 139,654</u>	<u>\$ 139,654</u>	<u>\$ 141,173</u>	<u>\$ (1,519)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>
Fund Balance, Beginning of year			-	
Fund Balance, End of year			<u>\$ -</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 REGIONAL SAFE SCHOOLS
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
State sources	\$ 87,903	\$ 87,903	\$ 88,039	\$ 136
On-behalf payments	-	-	11,068	11,068
Total Revenues	<u>\$ 87,903</u>	<u>\$ 87,903</u>	<u>\$ 99,107</u>	<u>\$ 11,204</u>
Expenditures				
Salaries	\$ 59,156	\$ 59,156	\$ 58,340	\$ 816
Benefits	20,971	20,971	20,920	51
Purchased/contracted services	7,531	7,531	8,998	(1,467)
Capital outlay	245	245	-	245
On-behalf payments	-	-	11,068	(11,068)
Total Expenditures	<u>\$ 87,903</u>	<u>\$ 87,903</u>	<u>\$ 99,326</u>	<u>\$ (11,423)</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 \$ (219)	 <u>\$ (219)</u>
 Fund Balance, Beginning of year			 <u>219</u>	
 Fund Balance, End of year			 <u>\$ -</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 TITLE IV - SAFE AND DRUG FREE FORMULA
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Federal sources	\$ 20,352	\$ 21,473	\$ 1,051	\$ (20,422)
Local sources	-	-	-	-
Total Revenues	<u>\$ 20,352</u>	<u>\$ 21,473</u>	<u>\$ 1,051</u>	<u>\$ (20,422)</u>
Expenditures				
Salaries	\$ 2,835	\$ 2,835	\$ 514	\$ 2,321
Purchased/contracted services	17,017	18,138	537	17,601
Materials and supplies	500	500	-	500
Total Expenditures	<u>\$ 20,352</u>	<u>\$ 21,473</u>	<u>\$ 1,051</u>	<u>\$ 20,422</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>
Fund Balance, Beginning of year			<u>632</u>	
Fund Balance, End of year			<u>\$ 632</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 MCKINNEY EDUCATION FOR HOMELESS CHILDREN
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Federal sources	\$ 267,524	\$ 288,066	\$ 278,980	\$ (9,086)
Local sources	-	-	186	186
On-behalf payments	-	-	13,018	13,018
Total Revenues	<u>\$ 267,524</u>	<u>\$ 288,066</u>	<u>\$ 292,184</u>	<u>\$ 4,118</u>
Expenditures				
Salaries	\$ 57,264	\$ 63,338	\$ 63,339	\$ (1)
Benefits	16,356	19,356	18,278	1,078
Purchased/contracted services	189,404	199,933	10,313	189,620
Materials and supplies	4,500	5,439	6,517	(1,078)
Transfers - payments to other governmental units	-	-	180,533	(180,533)
On-behalf payments	-	-	13,018	(13,018)
Total Expenditures	<u>\$ 267,524</u>	<u>\$ 288,066</u>	<u>\$ 291,998</u>	<u>\$ (3,932)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	\$ 186	<u>\$ 186</u>
Fund Balance, Beginning of year			<u>859</u>	
Fund Balance, End of year			<u>\$ 1,045</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 TRUANTS ALTERNATIVE OPTIONAL EDUCATION PROGRAM TRAINING
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
State sources	\$ 202,850	\$ 202,850	\$ 149,193	\$ (53,657)
Local sources	-	-	-	-
Total Revenues	<u>\$ 202,850</u>	<u>\$ 202,850</u>	<u>\$ 149,193</u>	<u>\$ (53,657)</u>
Expenditures				
Salaries	\$ 67,589	\$ 67,589	\$ 85,799	\$ (18,210)
Benefits	17,469	17,469	15,185	2,284
Purchased/contracted services	117,292	117,292	47,132	70,160
Materials and supplies	500	500	1,428	(928)
Total Expenditures	<u>\$ 202,850</u>	<u>\$ 202,850</u>	<u>\$ 149,544</u>	<u>\$ 53,306</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	\$ (351)	<u>\$ (351)</u>
Fund Balance, Beginning of year			<u>1,247</u>	
Fund Balance, End of year			<u>\$ 896</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 TEACHING AMERICAN HISTORY GRANT
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Federal sources	\$ 458,425	\$ 558,425	\$ 372,778	\$ (185,647)
Total Revenues	<u>\$ 458,425</u>	<u>\$ 558,425</u>	<u>\$ 372,778</u>	<u>\$ (185,647)</u>
Expenditures				
Salaries	\$ 106,766	\$ 106,766	\$ 72,754	\$ 34,012
Benefits	12,297	12,297	2,920	9,377
Purchased/contracted services	321,447	421,947	276,334	145,613
Materials and supplies	17,915	17,415	7,348	10,067
Capital outlay	-	-	13,422	(13,422)
Total Expenditures	<u>\$ 458,425</u>	<u>\$ 558,425</u>	<u>\$ 372,778</u>	<u>\$ 185,647</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>
Fund Balance, Beginning of year			<u>-</u>	
Fund Balance, End of year			<u>\$ -</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION NO. 26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 WORKFORCE INVESTMENT
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Federal sources	\$ 48,000	\$ 48,000	\$ 45,269	\$ (2,731)
Total Revenues	<u>\$ 48,000</u>	<u>\$ 48,000</u>	<u>\$ 45,269</u>	<u>\$ (2,731)</u>
Expenditures				
Salaries	\$ 30,000	\$ 30,000	\$ 32,000	\$ (2,000)
Benefits	7,000	7,000	5,879	1,121
Purchased/contracted services	11,000	11,000	2,048	8,952
Materials and supplies	-	-	5,342	(5,342)
Capital outlay	-	-	-	-
Total Expenditures	<u>\$ 48,000</u>	<u>\$ 48,000</u>	<u>\$ 45,269</u>	<u>\$ 2,731</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>
Fund Balance, Beginning of year			<u>-</u>	
Fund Balance, End of year			<u>\$ -</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009

	General Education Development Fund	Bus Driver Training	Supervisory Fund	Totals
Assets				
Cash and cash equivalents	\$ 2,171	\$ 4,090	\$ -	\$ 6,261
Total Assets	<u>\$ 2,171</u>	<u>\$ 4,090</u>	<u>\$ -</u>	<u>\$ 6,261</u>
Liabilities and Fund Balance				
Liabilities				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance				
Unreserved				
Designated	\$ 2,171	\$ 4,090	\$ -	\$ 6,261
Total Fund Balance	<u>\$ 2,171</u>	<u>\$ 4,090</u>	<u>\$ -</u>	<u>\$ 6,261</u>
Total Liabilities and Fund Balance	<u>\$ 2,171</u>	<u>\$ 4,090</u>	<u>\$ -</u>	<u>\$ 6,261</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

	General Education Development Fund	Bus Driver Training	Supervisory Fund	Totals
Revenues				
State sources	\$ 1,886	\$ 764	\$ 2,000	\$ 4,650
Local sources	3,782	648	-	4,430
Total Revenues	\$ 5,668	\$ 1,412	\$ 2,000	\$ 9,080
Expenditures				
Purchased services	\$ 2,342	\$ 1,050	\$ 2,000	\$ 5,392
Supplies and material	197	247	-	444
Total Expenditures	\$ 2,539	\$ 1,297	\$ 2,000	\$ 5,836
Net change in fund balance	\$ 3,129	\$ 115	\$ -	\$ 3,244
Fund Balance (Deficit), Beginning of year	(958)	3,975	-	3,017
Fund Balance, End of year	<u>\$ 2,171</u>	<u>\$ 4,090</u>	<u>\$ -</u>	<u>\$ 6,261</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2009

	Business-type Activities Enterprise Funds		Totals
	Video Co-Op	Workshop Fund	
Assets			
Current assets			
Cash and cash equivalents	\$ 4,234	\$ 5,469	\$ 9,703
Due from other governments	441	-	441
Total current assets	\$ 4,675	\$ 5,469	\$ 10,144
Noncurrent assets			
Equipment, net	-	4,266	4,266
Total Assets	\$ 4,675	\$ 9,735	\$ 14,410
Liabilities and Net Assets			
Liabilities			
Total Liabilities	\$ -	\$ -	\$ -
Net Assets			
Invested in capital assets, net of related debt	-	4,266	4,266
Unrestricted	4,675	5,469	10,144
Total Net Assets	\$ 4,675	\$ 9,735	\$ 14,410

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	Business-type Activities Enterprise Funds		Totals
	Video Co-Op	Workshop Fund	
Operating Revenues			
Charges for services	\$ 3,631	\$ 1,000	\$ 4,631
Operating Expenses			
Purchased services	\$ 308	\$ 1,370	\$ 1,678
Materials and supplies	30	200	230
Depreciation	88	2,428	2,516
Total Operating Expenses	\$ 426	\$ 3,998	\$ 4,424
Change in Net Assets	\$ 3,205	\$ (2,998)	\$ 207
Net Assets, Beginning of year	1,470	12,733	14,203
Net Assets, End of year	\$ 4,675	\$ 9,735	\$ 14,410

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	Business-type Activities		Totals
	Enterprise Funds		
	Video Co-Op	Workshop Fund	
Cash Flows from Operating Activities:			
Receipts from customers	\$ 3,631	\$ 1,000	\$ 4,631
Payments to suppliers and providers of goods and services	(338)	(1,570)	(1,908)
Net cash provided by (used for) operating activities	<u>\$ 3,293</u>	<u>\$ (570)</u>	<u>\$ 2,723</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	\$ -	\$ (1,831)	\$ (1,831)
Net cash used by capital and related financing activities	<u>\$ -</u>	<u>\$ (1,831)</u>	<u>\$ (1,831)</u>
Net increase (decrease) in cash and cash equivalents	\$ 3,293	\$ (2,401)	\$ 892
Cash and cash equivalents - July 1, 2008	<u>941</u>	<u>7,870</u>	<u>8,811</u>
Cash and cash equivalents - June 30, 2009	<u><u>\$ 4,234</u></u>	<u><u>\$ 5,469</u></u>	<u><u>\$ 9,703</u></u>
Reconciliation of operating income (loss) to net cash from operating activities:			
Operating income (loss)	\$ 3,205	\$ (2,998)	\$ 207
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	88	2,428	2,516
Net cash provided (used) by operating activities	<u><u>\$ 3,293</u></u>	<u><u>\$ (570)</u></u>	<u><u>\$ 2,723</u></u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 ALL AGENCY FUNDS
 JUNE 30, 2009

	Distributive Fund	State Superintendent Fund	Regional Board of School Trustees Fund	Area III Superintendents Fund	Hancock County Principal Fund	Totals
Assets						
Cash and cash equivalents	\$ -	\$ 1,482	\$ 1,736	\$ 2,982	\$ 4,915	\$ 11,115
Total Assets	<u>\$ -</u>	<u>\$ 1,482</u>	<u>\$ 1,736</u>	<u>\$ 2,982</u>	<u>\$ 4,915</u>	<u>\$ 11,115</u>
Liabilities						
Due to other governments	\$ -	\$ 1,482	\$ 1,736	\$ 2,982	\$ 4,915	\$ 11,115
Total Liabilities	<u>\$ -</u>	<u>\$ 1,482</u>	<u>\$ 1,736</u>	<u>\$ 2,982</u>	<u>\$ 4,915</u>	<u>\$ 11,115</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
Distributive Fund:				
Assets				
Cash and cash equivalents	\$ -	\$ 6,753,340	\$ 6,753,340	\$ -
Due from ISBE	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 6,753,340</u>	<u>\$ 6,753,340</u>	<u>\$ -</u>
Liabilities				
Due to other funds	\$ -	\$ 6,753,340	\$ 6,753,340	\$ -
Due to other governments	-	-	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ 6,753,340</u>	<u>\$ 6,753,340</u>	<u>\$ -</u>
State Superintendent Fund:				
Assets				
Cash and cash equivalents	\$ 1,523	\$ -	\$ 41	\$ 1,482
Total Assets	<u>\$ 1,523</u>	<u>\$ -</u>	<u>\$ 41</u>	<u>\$ 1,482</u>
Liabilities				
Due to other governments	\$ 1,523	\$ -	\$ 41	\$ 1,482
Total Liabilities	<u>\$ 1,523</u>	<u>\$ -</u>	<u>\$ 41</u>	<u>\$ 1,482</u>
Regional Board of School Trustees Fund:				
Assets				
Cash and cash equivalents	\$ 1,830	\$ -	\$ 94	\$ 1,736
Total Assets	<u>\$ 1,830</u>	<u>\$ -</u>	<u>\$ 94</u>	<u>\$ 1,736</u>
Liabilities				
Due to other governments	\$ 1,830	\$ -	\$ 94	\$ 1,736
Total Liabilities	<u>\$ 1,830</u>	<u>\$ -</u>	<u>\$ 94</u>	<u>\$ 1,736</u>
Area III Superintendents Fund:				
Assets				
Cash and cash equivalents	\$ 2,026	\$ 2,500	\$ 1,544	\$ 2,982
Total Assets	<u>\$ 2,026</u>	<u>\$ 2,500</u>	<u>\$ 1,544</u>	<u>\$ 2,982</u>
Liabilities				
Due to other governments	\$ 2,026	\$ 2,500	\$ 1,544	\$ 2,982
Total Liabilities	<u>\$ 2,026</u>	<u>\$ 2,500</u>	<u>\$ 1,544</u>	<u>\$ 2,982</u>
Hancock County Principal Fund:				
Assets				
Cash and cash equivalents	\$ 4,816	\$ 1,005	\$ 906	\$ 4,915
Total Assets	<u>\$ 4,816</u>	<u>\$ 1,005</u>	<u>\$ 906</u>	<u>\$ 4,915</u>
Liabilities				
Due to other governments	\$ 4,816	\$ 1,005	\$ 906	\$ 4,915
Total Liabilities	<u>\$ 4,816</u>	<u>\$ 1,005</u>	<u>\$ 906</u>	<u>\$ 4,915</u>
Totals:				
Assets				
Cash and cash equivalents	\$ 10,195	\$ 6,756,845	\$ 6,755,925	\$ 11,115
Due from ISBE	-	-	-	-
Total Assets	<u>\$ 10,195</u>	<u>\$ 6,756,845</u>	<u>\$ 6,755,925</u>	<u>\$ 11,115</u>
Liabilities				
Due to other funds	\$ -	\$ 6,753,340	\$ 6,753,340	\$ -
Due to other governments	10,195	3,505	2,585	11,115
Total Liabilities	<u>\$ 10,195</u>	<u>\$ 6,756,845</u>	<u>\$ 6,755,925</u>	<u>\$ 11,115</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHERS
 FOR THE YEAR ENDED JUNE 30, 2009

		Western Area Career System	West Central Illinois Special Ed	ROE 26	Totals
General State Aid	3001	\$ -	\$ -	\$ 196,160	\$ 196,160
Special Ed Personnel	3110	-	857,176	-	857,176
Voc Ed-Sec Prog Imp	3220	469,586	-	-	469,586
Voc Ed-Ag Education	3235	40,754	-	-	40,754
State Free Lunch & Breakfast	3360	-	938	-	938
School Breakfast Incentive	3365	-	18	-	18
ROE School Bus Driver Training	3520	-	-	764	764
Truants Alternative/Optional Ed	3695	-	-	222,210	222,210
Regional Safe Schools	3696	-	-	71,919	71,919
Early Childhood Block Grant	3705	-	-	498,831	498,831
Supervisory	3745	-	-	2,000	2,000
National School Lunch (10.555)	4210	-	13,140	-	13,140
School Breakfast Program	4220	-	8,661	-	8,661
Special Ed Pre School (84.173A)	4600	-	125,686	-	125,686
Special Ed IDEA Flow-Thru	4620	-	3,763,452	-	3,763,452
Voc Ed Perkins Title IIC (84.048A)	4745	154,270	-	-	154,270
ARRA - General State Aid	4850	-	-	57,991	57,991
McKinney Ed for Homeless (84.196A)	4920	-	-	269,784	269,784
		<u>\$ 664,610</u>	<u>\$ 4,769,071</u>	<u>\$ 1,319,659</u>	<u>\$ 6,753,340</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26

FEDERAL COMPLIANCE SECTION

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION NO. 26
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant Number	Expenditures
U.S. Department of Education			
Teaching American History		U215X080056	\$ 308,423
Teaching American History		U215X050143	64,355
(M) Total Teaching American History	84.215X		<u>\$ 372,778</u>
<i>Passed through Illinois State Board of Education (ISBE)</i>			
State Fiscal Stabilization Fund- Education State Grants- Recovery Act		09-4850-92	\$ 41,715
State Fiscal Stabilization Fund- Education State Grants- Recovery Act		09-4850-93	16,276
Total State Fiscal Stabilization Fund- Education State Grants- Recovery Act	84.394A		<u>\$ 57,991</u>
Title IV - Safe and Drug Free Formula	84.186A	08-4400-00	<u>\$ 1,051</u>
McKinney Education for Homeless Children		08-4920-00	\$ 278,980
<i>Passed through Adult Learning Resource Center</i>			
McKinney Education for Homeless Children		08-4920-00	8,167
(M) Total McKinney Education for Homeless Children	84.196A		<u>\$ 287,147</u>
<i>Passed through Illinois Department of Human Services (IDHS)</i>			
Secondary Transitional Experience Program		10CK002072	\$ 13,341
Secondary Transitional Experience Program		10C8002072	1,161
Total Secondary Transitional Experience Program	84.126		<u>\$ 14,502</u>
Special Education Grants for Infants and Families	84.181	10CK002072	\$ 114,669
Special Education Grants for Infants and Families, Recovery Act	84.393	10CK002072	98,802
Total Special Education Grants for Infants and Families			<u>\$ 213,471</u>
Total U.S. Department of Education			<u>\$ 946,940</u>
U.S. Department of Health and Human Services			
<i>Passed through Illinois Department of Human Services (IDHS)</i>			
Social Services Block Grant	93.667	10CK002072	<u>\$ 7,000</u>
U.S. Department of Labor			
<i>Passed through Workforce Investment Office of Western Illinois</i>			
WIA Youth Program	17.259	LWA14	<u>\$ 45,269</u>
Total Federal Awards			<u>\$ 999,209</u>
(M) audited as a major program			

The accompanying notes are an integral part of this schedule.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Hancock/McDonough Regional Office of Education #26 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in conformance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. DESCRIPTIONS OF FEDERAL PROGRAMS AUDITED AS A MAJOR PROGRAM

The major federal programs of the Hancock/McDonough Regional Office of Education #26 are the Teaching American History (CFDA # 84.215X) and the McKinney Education for Homeless Children (CFDA # 84.196A). These funds are used to assist in providing instruction in American History and to ensure that homeless children and youth have equal access to the same free, appropriate public education as other children, respectively.

3. SUBRECIPIENTS

Of the expenditures in this schedule, the Hancock/McDonough Regional Office of Education #26 provided awards to subrecipients in the amount of \$180,533 under the McKinney Education for Homeless Children program and \$14,502 under the Secondary Transitional Experience Program.

4. NON-MONETARY FEDERAL AWARDS

There are no non-monetary federal awards in the current year.

5. INSURANCE

The Hancock/McDonough Regional Office of Education #26 did not receive any Federal awards involving insurance with continuing compliance requirements.

6. LOANS AND LOAN GUARANTEES

The Hancock/McDonough Regional Office of Education #26 did not receive any Federal awards involving loans or loan guarantees with continuing compliance requirements.