

STATE OF ILLINOIS
HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

FINANCIAL AUDIT

For the Year Ended June 30, 2007

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

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

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HENDERSON, MERCER AND WARREN COUNTIES
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HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

OFFICIALS

Regional Superintendent (July 2, 2007 – Present)	Ms. Jodi Scott
Regional Superintendent - Acting (June 24, 2007 – July 2, 2007)	Ms. Jodi Scott
Regional Superintendent (July 1, 2006 – June 23, 2007)	Dr. Glen W. Braden
Assistant Regional Superintendent (February 1, 2008 – Present)	Mr. Tom Avery
Assistant Regional Superintendent (July 16, 2007 – January 31, 2008)	Mr. R. Bruce Hall
Assistant Regional Superintendent (July 1, 2006 – June 23, 2007)	Ms. Jodi Scott

Offices are located at:

200 West Broadway
Monmouth, Illinois 61462

PASS/Adult Education
1291 N. 6th Street, Suite 100
Monmouth, IL 61462

Henderson County Even Start
West Central Early Childhood Center
Media, IL 61460

Warren County Even Start/Early Childhood Block Grant
Central Early Childhood Center
401 East 2nd Avenue
Monmouth, IL 61462

High Roads Advantage
2004 SE 3rd Street
Aledo, IL 61231

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

FINANCIAL REPORT SUMMARY

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

AUDITOR'S REPORTS

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

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	6	5
Repeated audit findings	4	3
Prior recommendations implemented or not repeated	1	2

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u> <u>Findings (Government Auditing Standards)</u>
07-1	10	Controls over financial statement preparation
07-2	12	Control over compliance with laws and regulations
07-3	13	Inadequate controls over property and equipment
07-4	15	Unrecorded bank accounts
07-5	16	Failure to fully insure and collateralize cash balances
07-6	17	Personal use of business credit card
<u>Prior Findings Not Repeated (Government Auditing Standards)</u>		
06-2	26	Inadequate accounting software and internal controls

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

FINANCIAL REPORT SUMMARY - CONTINUED

EXIT CONFERENCE

Henderson, Mercer and Warren Counties Regional Office of Education #27 waived having an exit conference in a letter dated March 10, 2008. Responses to the recommendations were provided by the ROE management in correspondence received March 11, 2008.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Henderson, Mercer and Warren Counties Regional Office of Education #27 was performed by Sulaski and Webb, CPAs.

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

Independent Auditor's 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 Henderson, Mercer and Warren Counties Regional Office of Education #27, as of and for the year ended June 30, 2007, which collectively comprise the Henderson, Mercer and Warren Counties Regional Office of Education #27's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Henderson, Mercer and Warren Counties Regional Office of Education #27's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Henderson, Mercer and Warren Counties Regional Office of Education #27, as of June 30, 2007, 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 June 12, 2008 on our consideration of the Henderson, Mercer and Warren Counties Regional Office of Education #27'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 27 through 32 and 63 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Henderson, Mercer and Warren Counties Regional Office of Education #27's basic financial statements. The combining and individual non-major fund financial statements, budgetary comparison schedules, and the Schedule of Disbursements to School District Treasurers and Other Entities – Distributive Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements, budgetary comparison schedules, and the Schedule of Disbursements to School District Treasurers and Other Entities – Distributive Fund have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sulaski & Webb

Sulaski and Webb
Certified Public Accountants

June 12, 2008

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 Henderson, Mercer and Warren Counties Regional Office of Education #27, as of and for the year ended June 30, 2007, which collectively comprise the Henderson, Mercer and Warren Counties Regional Office of Education #27's basic financial statements and have issued our report thereon dated June 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Henderson, Mercer and Warren Counties Regional Office of Education #27's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Henderson, Mercer and Warren Counties Regional Office of Education #27's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Henderson, Mercer and Warren Counties Regional Office of Education #27's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07-1, 07-3, and 07-4. We also noted other matters involving internal control over financial reporting which we reported on the accompanying Schedule of Findings and Questioned Costs as item 07-6.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, of the significant deficiencies described above, we consider items 07-1 and 07-4 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Henderson, Mercer and Warren Counties Regional Office of Education #27's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 07-5. We also noted a certain immaterial instance of noncompliance or other matters which we reported on the accompanying Schedule of Findings and Questioned Costs as item 07-2.

The Henderson, Mercer and Warren Counties Regional Office of Education #27's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Henderson, Mercer and Warren Counties Regional Office of Education #27's responses and, accordingly, we express no opinion on them.

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

Sulaski & Webb

Sulaski and Webb
Certified Public Accountants

June 12, 2008

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

Section I – Summary of the Auditor’s Results

Financial Statements

- (1) An unqualified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

- (2) Three significant deficiencies disclosed during the audit of the financial statements are reported in the *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*. Two of the significant deficiencies identified are considered to be material weaknesses.
- (3) One instance of noncompliance material to the financial statements was disclosed during the audit.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

Section II – Financial Statement Findings

Finding No. 07-1

Controls Over Financial Statement Preparation

Criteria/Specific Requirement:

The Henderson, Mercer and Warren Counties Regional Office of Education #27 (ROE) is required to maintain a system of controls over the preparation of financial statements, including disclosures, in accordance with generally accepted accounting principles (GAAP). The ROE internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

Condition:

The Henderson, Mercer and Warren Counties Regional Office of Education #27 does not have sufficient internal controls over the financial reporting process. The ROE maintains their accounting records on the cash basis of accounting. While the ROE maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements sufficient 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 ROE's accounting records, noted the following:

- The ROE did not maintain adequate controls over the financial reporting process and numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.
- The ROE did not maintain records of accounts receivable, accounts payable, or deferred revenues. Additionally, there were no reconciliations of the financial records to grant activity.
- The ROE did not have adequate controls over the maintenance of accurate financial records. Two cash accounts were not recorded in the financial records, while two other cash accounts were duplicated. Accurate cash balances have been reported in the financial statements through adjusting entries.
- The ROE main office and Progressive Alternative Secondary School (PASS) maintain their own separate sets of books and there is a lack of communication between the two locations. There is no combining of the two sets of books until fiscal year-end.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

Section II – Financial Statement Findings - Continued

Finding No. 07-1

Controls Over Financial Statement Preparation - Continued

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 ROE officials, they were not aware of the new Statement on Auditing Standard requirement to maintain a system of internal control over the preparation of financial statements in accordance with GAAP. In addition, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements.

Auditor's Recommendation:

As part of its internal control over the preparation of its financial statements, including disclosures, the Henderson, Mercer and Warren Counties Regional Office of Education #27 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

Management's Response:

To perform such a comprehensive preparation and review of financial records would be cost prohibitive for this office. We are the smallest ROE in the state and feel the funds in our office would be better utilized to help provide quality services to our districts. We therefore accept the risk associated with this finding.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

Section II – Financial Statement Findings - Continued

Finding No. 07-2
Repeated from 06-1 and
05-1

Control Over Compliance with Laws and Regulations

Criteria/Specific Requirement:

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

This mandate has existed in its current form since at least 1953.

Condition:

The ROE prepared and presented a report for the quarters ended September 2006 and December 2006 to the County boards in April 2007. A report of activities for the quarter ended March 2007 was noted as being prepared; however, there is no documentation to support that the report was filed with the County boards. There was no report prepared for the quarter ended June 2007.

Effect:

The ROE did not comply with statutory requirements.

Cause:

Changes in software and ROE personnel have delayed the accumulation of the data and the preparation of the reports.

Auditor's Recommendation:

The Henderson, Mercer and Warren Counties Regional Office of Education #27 should continue its efforts and present the report quarterly as required by 105 ILCS 5/3-5.

Management's Response:

This has been corrected. Quarterly reports and receipts from the County Boards are on file for the current fiscal year to date.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

Section II – Financial Statement Findings - Continued

Finding No. 07-3
Repeated from 06-3, 05-2,
04-3, and 03-3

Inadequate Controls over Property and Equipment

Criteria/Specific Requirement:

The Regional Office of Education (ROE) Accounting Manual requires each ROE to maintain detailed fixed asset records for both accounting purposes as well as insurance purposes, for fixed assets costing \$500 or more. Generally Accepted Accounting Principles require that an inventory of all fixed assets and depreciation schedules for assets meeting the capitalization threshold for reporting be maintained.

The ROE Accounting Manual also states that the fixed asset inventory records should include: the inventory control number; major asset class; function and activity; reference to acquisition source document; acquisition date; vendor; short description of asset; unit charged with custody; location, fund and account from which purchased; method of acquisition; estimated useful life and method of depreciation; estimated salvage value; and date, method, and authorization of disposition.

In addition, sound internal controls require that policies and procedures on fixed assets should cover acquisition and tagging, recording and reporting, depreciation, transfers and dispositions, and annual physical inventory, and that they should be formally documented and consistently applied.

Condition:

The Henderson, Mercer and Warren Counties Regional Office of Education #27 (ROE) did not have adequate controls over fixed assets.

In our tests of fixed assets at the Progressive Alternative Secondary School (PASS) location, we noted that the fixed asset listings did not have complete information as to the function and activity; reference to the acquisition source document; acquisition date; acquisition cost; vendor; unit charged with custody; location; fund and account from which purchased; and method of acquisition.

A physical inventory was taken at the end of the fiscal year by PASS personnel. Each teacher and employee verified the inventory for their assigned rooms. Most of the items we selected for observation testing had property tags, but these property tags were not referenced to the fixed asset listing. The fixed asset listing contained only a description of the item and the location.

Effect:

The absence of a sound system of internal controls over fixed assets can result in inaccurate reporting of fixed assets and inadequate physical control for equipment items. An incomplete fixed asset listing does not provide an adequate basis for physical control and losses may occur without being detected.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

Section II – Financial Statement Findings - Continued

Finding No. 07-3
Repeated from 06-3, 05-2,
04-3, and 03-3

Inadequate Controls over Property and Equipment - Continued

Cause:

ROE personnel at PASS stated that many of the fixed asset items they possess were donated and they have not assigned a value to them.

Auditor's Recommendation:

The Henderson, Mercer and Warren Counties Regional Office of Education #27 should adhere to the ROE Accounting Manual to effectively and efficiently monitor property acquisitions, transfers and disposals, and provide for accurate reporting of fixed asset balances.

The fixed asset listing should include all the details required by the ROE Accounting Manual and should be checked for accuracy and existence through an annual physical inventory. A reconciliation should be performed between the fixed asset listing and the recorded capital outlay expenditures for each year.

Management's Response:

The PASS Alternative School will work on matching the fixed asset listing to the listing of the fixed assets location list. An attempt will be made to research past records for the acquisition information before the end of FY08.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

Section II – Financial Statement Findings - Continued

Finding No. 07-4
Repeated from 06-4, 05-3,
04-5, and 03-5

Unrecorded Bank Accounts

Criteria/Specific Requirement:

Good business practices and sound internal controls require that accounting records accurately and completely record all assets and all transactions of the entity.

Condition:

During our testing of cash accounts, we noted two bank accounts with balances totaling \$13,165 as of June 30, 2007 not recorded in the general ledger. One of these accounts was a checking account opened in the current year and the other was a certificate of deposit opened in the current year. These accounts have been included in the cash balances reported in the financial statements through adjusting entries.

Effect:

Failure to record bank accounts in the general ledger results in inaccurate financial reporting and increases the risk of undetected misappropriation of assets.

Cause:

These bank accounts were unrecorded due to oversight on the part of the Regional Office staff.

Auditor's Recommendation:

The Henderson, Mercer and Warren Counties Regional Office of Education #27 should immediately record these bank accounts in the general ledger and properly account for all transactions of these accounts.

Management's Response:

We are currently implementing the STI accounting system to meet all our financial needs.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

Section II – Financial Statement Findings - Continued

Finding No. 07-5
Repeated from 06-5

Failure to Fully Insure and Collateralize Cash Balances

Criteria/Specific Requirement:

The Public Funds Deposit Act (30 ILCS 225/1) gives the Henderson, Mercer and Warren Counties Regional Office of Education #27 (ROE) the authorization to request financial institutions to pledge collateral for deposits in excess of the federally insured limit. In addition, prudent business practice requires that all cash and investments held by financial institutions for the ROE be adequately covered by depository insurance or collateral.

Condition:

As of June 30, 2007, the ROE had one cash account with a bank balance totaling \$109,586 at one financial institution. The Federal Deposit Insurance Company (FDIC) covers up to a maximum of \$100,000. The ROE did not have depository insurance or collateral for \$9,586. The financial institution noted here is different from the financial institution that was the subject of the prior year finding. The financial institution in the prior year finding had fully collateralized the ROE's bank balances as of June 30, 2007.

Effect:

Failure to fully insure and collateralize the full amount of cash and investment balances may result in monetary losses to the ROE in the event of a bank failure.

Cause:

According to ROE management, the unsecured deposits were an oversight as the balance in this account went over the FDIC insured limit of \$100,000 during the current year.

Auditor's Recommendation:

The Henderson, Mercer and Warren Counties Regional Office of Education #27 should monitor collateral requirements for all its bank accounts. The ROE should also establish controls for confirming amounts pledged by the financial institutions and consider making a formal arrangement with the financial institution to automatically pledge securities for any deposit amounts in excess of the FDIC insurance amounts.

Management's Response:

This has been addressed for the current fiscal year.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

Section II – Financial Statement Findings - Continued

Finding No. 07-6

Personal Use of Business Credit Card

Criteria/Specific Requirement:

Good business practice requires that only business expenditures be purchased with ROE credit cards. In addition, the Henderson, Mercer and Warren Counties Regional Office of Education #27 (ROE) maintains a policy which prohibits employees from making personal purchases with the ROE's credit cards.

Condition:

During the fiscal year ended June 30, 2007, one employee of the ROE purchased personal items on two occasions totaling \$223 with ROE credit cards. The charges were marked as personal on the credit card statements and were reimbursed by the employee on both occurrences within two months of the purchase date.

Effect:

Failure to restrict personal use of ROE credit cards results in noncompliance with the ROE policy and could result in the misuse of ROE assets.

Cause:

According to ROE management, the employee inadvertently used the wrong credit card when making a personal purchase.

Auditor's Recommendation:

The Henderson, Mercer and Warren Counties Regional Office of Education #27 should remind all employees of the credit card policy.

Management's Response:

It has always been our policy to not use the office credit card for personal purchases. However, occasionally a mistake will be made. All charges have been reimbursed to the ROE.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

Section III – Federal Award Findings

INSTANCES OF NONCOMPLIANCE:

None

SIGNIFICANT DEFICIENCIES:

None

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

CORRECTIVE ACTION PLAN FOR
CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2007

Corrective Action Plan

Finding No. 07-1

Conditions:

The Henderson, Mercer and Warren Counties Regional Office of Education #27 does not have sufficient internal controls over the financial reporting process. The ROE maintains their accounting records on the cash basis of accounting. While the ROE maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements sufficient 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 ROE's accounting records, noted the following:

- The ROE did not maintain adequate controls over the financial reporting process and numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.
- The ROE did not maintain records of accounts receivable, accounts payable, or deferred revenues. Additionally, there were no reconciliations of the financial records to grant activity.
- The ROE did not have adequate controls over the maintenance of accurate financial records. Two cash accounts were not recorded in the financial records, while two other cash accounts were duplicated. Accurate cash balances have been reported in the financial statements through adjusting entries.
- The ROE main office and Progressive Alternative Secondary School (PASS) maintain their own separate sets of books and there is a lack of communication between the two locations. There is no combining of the two sets of books until fiscal year-end.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

CORRECTIVE ACTION PLAN FOR
CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2007

Corrective Action Plan

Finding No. 07-1 – Continued

Plan: To perform such a comprehensive preparation and review of financial records would be cost prohibitive for this office. We are the smallest ROE in the state and feel the funds in our office would be better utilized to help provide quality services to our districts. We therefore accept the risk associated with this finding.

Completion Date: As soon as possible

Contact Person: Jodi Scott, Regional Superintendent

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

CORRECTIVE ACTION PLAN FOR
CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2007

Corrective Action Plan

Finding No. 07-2

Condition: The ROE prepared and presented a report for the quarters ended September 2006 and December 2006 to the County boards in April 2007. A report of activities for the quarter ended March 2007 was noted as being prepared; however, there is no documentation to support that the report was filed with the County boards. There was no report prepared for the quarter ended June 2007.

Plan: This has been corrected. Quarterly reports and receipts from the County Boards are on file for the current fiscal year to date.

Completion Date: As soon as possible

Contact Person: Jodi Scott, Regional Superintendent

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

CORRECTIVE ACTION PLAN FOR
CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2007

Corrective Action Plan

Finding No. 07-3

Condition: The Henderson, Mercer and Warren Counties Regional Office of Education #27 (ROE) did not have adequate controls over fixed assets.

In our tests of fixed assets at the Progressive Alternative Secondary School (PASS) location, we noted that the fixed asset listings did not have complete information as to the function and activity; reference to the acquisition source document; acquisition date; acquisition cost; vendor; unit charged with custody; location; fund and account from which purchased; and method of acquisition.

A physical inventory was taken at the end of the fiscal year by PASS personnel. Each teacher and employee verified the inventory for their assigned rooms. Most of the items we selected for observation testing had property tags, but these property tags were not referenced to the fixed asset listing. The fixed asset listing contained only a description of the item and the location.

Plan: The PASS Alternative School will work on matching the fixed asset listing to the listing of the fixed assets location list. An attempt will be made to research past records for the acquisition information before the end of FY08.

Completion Date: June 30, 2008

Contact Person: Jodi Scott, Regional Superintendent

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

CORRECTIVE ACTION PLAN FOR
CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2007

Corrective Action Plan

Finding No. 07-4

Condition: During our testing of cash accounts, we noted two bank accounts with balances totaling \$13,165 as of June 30, 2007 not recorded in the general ledger. One of these accounts was a checking account opened in the current year and the other was a certificate of deposit opened in the current year. These accounts have been included in the cash balances reported in the financial statements through adjusting entries.

Plan: We are currently implementing the STI accounting system to meet all our financial needs.

Completion Date: As soon as possible

Contact Person: Jodi Scott, Regional Superintendent

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

CORRECTIVE ACTION PLAN FOR
CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2007

Corrective Action Plan

Finding No. 07-5

Condition: As of June 30, 2007, the ROE had one cash account with a bank balance totaling \$109,586 at one financial institution. The Federal Deposit Insurance Company (FDIC) covers up to a maximum of \$100,000. The ROE did not have depository insurance or collateral for \$9,586. The financial institution noted here is different from the financial institution that was the subject of the prior year finding. The financial institution in the prior year finding had fully collateralized the ROE's bank balances as of June 30, 2007.

Plan: This has been addressed for the current fiscal year.

Completion Date: June 30, 2008

Contact Person: Jodi Scott, Regional Superintendent

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

CORRECTIVE ACTION PLAN FOR
CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2007

Corrective Action Plan

Finding No. 07-6

Condition: During the fiscal year ended June 30, 2007, one employee of Henderson, Mercer and Warren Counties Regional Office of Education #27 (ROE) purchased personal items on two occasions totaling \$223 with ROE credit cards. The charges were marked as personal on the credit card statements and were reimbursed by the employee on both occurrences within two months of the purchase date.

Plan: It has always been our policy to not use the office credit card for personal purchases. However, occasionally a mistake will be made. All charges have been reimbursed to the ROE.

Completion Date: Immediate

Contact Person: Jodi Scott, Regional Superintendent

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2007

<u>Finding Number</u>	<u>Prior Finding</u>	<u>Status</u>
06-1	A. The ROE did not comply with statutory mandates to examine at least once a year the books, accounts, and vouchers of every school treasurer in his region.	Public Act 95-496 repealed the requirements of 105 ILCS 5/3-14.11. Resolved.
	B. The ROE did not comply with statutory mandates to present under oath or affirmation to the county board in September and quarterly thereafter a report of all its acts.	Repeated as Finding 07-2.
	C. The ROE did not comply with statutory mandates to visit each public school in its county at least once a year.	Public Act 95-496 repealed the requirements of 105 ILCS 5/3-14.5. Resolved.
06-2	The ROE had inadequate accounting software and internal controls.	Resolved.
06-3	The ROE did not have adequate controls over fixed assets.	Repeated as Finding 07-3.
06-4	The ROE had three bank accounts with balances totaling \$40,414 as of June 30, 2006 and not recorded in the general ledger.	Repeated as Finding 07-4.
06-5	The ROE failed to fully insure and collateralize its cash balances.	Repeated as Finding 07-5.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

The Henderson, Mercer and Warren Counties Regional Office of Education #27 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended on June 30, 2007 with comparative information for the year ended June 30, 2006. Readers are encouraged to consider the information in conjunction with the Regional Office's financial statements that follow.

2007 Financial Highlights

- Within the Governmental Funds, the General Fund revenues decreased by \$92,693(22%) from \$418,454 in fiscal year 2006 to \$325,761 in fiscal year 2007. General Fund expenditures decreased by \$60,480 (13%) from \$452,913 in fiscal year 2006 to \$392,433 in fiscal year 2007.
- Within the Governmental Funds, the Special Revenue Fund revenue increased by \$393,531 (32%) from \$1,218,533 in fiscal year 2006 to \$1,612,064 in fiscal year 2007. The Special Revenue Fund expenditures increased by \$307,137 (24%) from \$1,292,283 in fiscal year 2006 to \$1,599,420 in fiscal year 2007.
- The Enterprise Fund revenue decreased by \$33,282 (35%) from \$95,367 in FY 2006 to \$62,085 in FY 2007. The Enterprise Fund expenditures increased by \$26,243 (44%) from \$59,836 in FY 2006 to \$86,079 in FY 2007.
- The Regional Office of Education # 27 has no long term debt.

Using This Report

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

- *Management's Discussion and Analysis* introduces the basic financial statements and provides an analytical overview of the Regional 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 as a whole and present an overall view of the Office's finances.
- *Fund financial statements* report the Regional 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 needed for a full understanding of the data provided in the basic financial statements.
- *Required supplementary information* further explains and supports the financial statements and supplementary information provides detailed information for each category of funds and about the non-major funds.

Reporting the Office as a Whole

It is important to note, that many grants are a cooperative effort of the Regional Office of Education #27 and the Rock Island County Regional Office of Education #49 and the Bureau/Henry/Stark Regional Office of Education # 28.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

The Statement of Net Assets and the Statement of Activities

The Government-wide statements report information about the Regional Office of Education #27 as a whole. The Statement of Net Assets includes all of the 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, using accounting methods similar to those used by private sector companies.

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

- Over time, increases or decreases in the net assets can be an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Regional 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.

The Government-wide financial statements present the Regional Office's activities as both governmental and business-type activities. Local, state and federal aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide detailed information about the Regional Office's funds. Funds are accounting devices that allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by state law. The Regional Office established other funds to control and manage money for particular purposes.

The Office has three kinds of funds:

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

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

- 2) Proprietary funds account for activities where the Regional Office charges customers for services. These funds are most similar to a business that operates for a profit. The Regional Office has one enterprise fund, the Staff Development Fund.

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

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

Reporting the Office as a Whole (continued)

- 3) Fiduciary funds are used to account for assets held by the Regional Office in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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 follows the fund financial statements.

Office-Wide Financial Analysis

As noted earlier, net assets may serve, when examined over time, as one indicator of the financial position of the Regional Office. The net assets at the end of fiscal year 2007 totaled \$164,924. At the end of fiscal year 2006, the net assets were \$242,946. The analysis that follows provides a summary of the Regional Office's net assets as of June 30, 2007 and June 30, 2006, for the governmental and business-type activities.

CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current assets	\$ 354,340	\$ 220,555	\$ 30,597	\$ 54,591	\$ 384,937	\$ 275,146
Total assets	<u>354,340</u>	<u>220,555</u>	<u>30,597</u>	<u>54,591</u>	<u>384,937</u>	<u>275,146</u>
Current liabilities	220,013	32,200	-	-	220,013	32,200
Total liabilities	<u>220,013</u>	<u>32,200</u>	<u>-</u>	<u>-</u>	<u>220,013</u>	<u>32,200</u>
Net assets:						
Unrestricted	102,268	159,591	30,597	54,591	132,865	214,182
Restricted for teacher professional development	32,059	28,764	-	-	32,059	28,764
Total net assets	<u>\$ 134,327</u>	<u>\$ 188,355</u>	<u>\$ 30,597</u>	<u>\$ 54,591</u>	<u>\$ 164,924</u>	<u>\$ 242,946</u>

The Regional Office's net assets decreased by \$78,022 from FY06. The decrease occurred primarily due to an increase in payments to other governments. In addition, net assets related to the Teacher Institute Fund are considered restricted for teacher professional development.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

Office-Wide Financial Analysis (Continued)

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues						
Charges for services	\$ -	\$ -	\$ 62,085	\$ 95,367	\$ 62,085	\$ 95,367
Operating grants and contributions	1,343,694	912,252	-	-	1,343,694	912,252
General revenues						
Local sources	366,197	508,825	-	-	366,197	508,825
State sources	3,000	3,000	-	-	3,000	3,000
Investment earnings	3,291	2,876	-	-	3,291	2,876
On behalf payments	221,643	210,034	-	-	221,643	210,034
Total revenues	<u>\$ 1,937,825</u>	<u>\$ 1,636,987</u>	<u>\$ 62,085</u>	<u>\$ 95,367</u>	<u>\$ 1,999,910</u>	<u>\$ 1,732,354</u>
Expenses:						
Program expenses						
Salaries and benefits	\$ 755,000	\$ 906,608	\$ 61,393	\$ 31,500	\$ 816,393	\$ 938,108
Purchased services	274,418	311,008	19,171	22,671	293,589	333,679
Supplies and materials	109,335	127,400	5,390	5,665	114,725	133,065
Payments to other governments	605,071	99,772	-	-	605,071	99,772
Capital outlay	14,174	10,429	-	-	14,174	10,429
Other	12,212	79,945	125	-	12,337	79,945
Administrative expenses						
On-behalf payments - State	221,643	210,034	-	-	221,643	210,034
Total expenses	<u>\$ 1,991,853</u>	<u>\$ 1,745,196</u>	<u>\$ 86,079</u>	<u>\$ 59,836</u>	<u>\$ 2,077,932</u>	<u>\$ 1,805,032</u>
Change in net assets	\$ (54,028)	\$ (108,209)	\$ (23,994)	\$ 35,531	\$ (78,022)	\$ (72,678)
Net assets beginning of year	188,355	296,564	54,591	19,060	242,946	315,624
Net assets end of year	<u>\$ 134,327</u>	<u>\$ 188,355</u>	<u>\$ 30,597</u>	<u>\$ 54,591</u>	<u>\$ 164,924</u>	<u>\$ 242,946</u>

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

Governmental Activities

Revenues for governmental activities were \$1,937,825 and expenses were \$1,991,853 for the year ended June 30, 2007. Revenues for governmental activities were \$1,636,987 and expenses were \$1,745,196 for the year ended June 30, 2006. As discussed earlier, the revenue within the General Fund decreased by \$92,693. The increases in other revenues and expenditures are due primarily to obtaining the Early Childhood Block Grant Special Projects (Monitoring) and Kindergarten Standards monies.

Financial analysis of the Henderson, Mercer and Warren Counties Regional Office of Education #27 Funds

As previously noted, the Henderson, Mercer and Warren Counties Regional Office of Education #27 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency's Governmental Funds reported combined fund balances of \$134,327 at June 30, 2007 compared to fiscal year 2006's ending fund balance of \$188,355. The majority of this decrease is due to the completion of the Even Start Grant in 2007.

Budgetary Highlights

The Henderson, Mercer and Warren Counties Regional Office of Education #27 annually adopts budgets for several funds. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the Henderson, Mercer and Warren Counties Boards for their approval. The Office Operations Budget covers a fiscal year that runs from December 1 to November 30. All grant budgets are prepared by the Henderson, Mercer and Warren Counties Regional Office of Education #27 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency. Schedules showing the budget amounts compared to the Regional Office's actual financial activity are included in the supplementary information of this report.

Capital Assets

The Regional Office's capital assets include office equipment, computers, audio-visual equipment, and building improvements. The Regional Office maintains an inventory of capital assets which have been accumulated over time. The Regional Office adopted a capitalization and depreciation threshold of \$5,000 for GASB 34. As of June 30, 2007, there were no assets costing \$5,000 or more.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

Economic Factors and Next Year's Budget

At the time these financial statements were prepared and audited, the Henderson, Mercer and Warren Counties Regional Office of Education #27 was aware of several existing circumstances that could affect its financial health in the future:

- The interest rate on cash accounts made a small rebound, but it still remains low and will impact interest earned.
- The Certificate of Deposit was not drawn on during FY07. The Institute Funds were completely withdrawn from the Teachers Credit Union and the funds held in the Prime Funds account was drawn on in September of 2006. These will reduce the amount of interest earned, but funds still remain for minor emergencies.
- The Early Childhood Block Grant, Special Project is increasing from \$625,000 in FY07 to \$700,000 in FY08.
- The County Budget, was increased by four percent to defray increases in utilities.
- The High Roads, WIA Grant, will see a reduction of 18% for the 07-08 year. Their funds were reduced 15% last year.
- Salary increases were kept at a minimum, or remained as they were for FY07, to keep costs down.
- The School Services monies, which are in a cooperative with only Rock Island County ROE, will remain the same for FY08 as FY07.
- The agreement with Bureau/Henry/Stark ROE for 21st Century money will remain the same as last year. They will pay 80% of the costs for our attendance liaison.
- Small grants are continually being written to subsidize salaries, purchased services and supplies.
- Local funding was increased with the inception of the Incoming Freshman Academy (IFA). Local districts fund this academy with start up monies and tuition for their students. The Glen W. Braden memorial was designated for the IFA and will help to defray costs for the FY08 IFA.

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 to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the Henderson, Mercer and Warren Counties Regional Office of Education #27 at 200 West Broadway, Monmouth, Illinois 61462.

BASIC FINANCIAL STATEMENTS

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 139,363	\$ 30,597	\$ 169,960
Due from other governmental units	214,977	-	214,977
Total Current Assets	<u>354,340</u>	<u>30,597</u>	<u>384,937</u>
TOTAL ASSETS	<u>354,340</u>	<u>30,597</u>	<u>384,937</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	25,750	-	25,750
Deferred revenue	194,263	-	194,263
TOTAL LIABILITIES	<u>220,013</u>	<u>-</u>	<u>220,013</u>
NET ASSETS			
Unrestricted (deficit)	102,268	30,597	132,865
Restricted for teacher professional development	32,059	-	32,059
TOTAL NET ASSETS	<u>\$ 134,327</u>	<u>\$ 30,597</u>	<u>\$ 164,924</u>

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

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses)/Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Primary government:						
Governmental activities:						
Instructional Services:						
Salaries and benefits	\$ 755,000	\$ -	\$ 494,886	\$ (260,114)	\$ -	\$ (260,114)
Purchased services	274,418	-	149,436	(124,982)	-	(124,982)
Supplies and materials	109,335	-	61,709	(47,626)	-	(47,626)
Payments to other governments	605,071	-	603,250	(1,821)	-	(1,821)
Capital outlay	14,174	-	10,832	(3,342)	-	(3,342)
Other	12,212	-	23,581	11,369	-	11,369
Administrative:						
On-behalf payments-State	221,643	-	-	(221,643)	-	(221,643)
Total governmental activities	<u>1,991,853</u>	<u>-</u>	<u>1,343,694</u>	<u>(648,159)</u>	<u>-</u>	<u>(648,159)</u>
Business-type activities:						
Staff Development	86,079	62,085	-	-	(23,994)	(23,994)
Total business-type activities	<u>86,079</u>	<u>62,085</u>	<u>-</u>	<u>-</u>	<u>(23,994)</u>	<u>(23,994)</u>
Total primary government	<u>\$ 2,077,932</u>	<u>\$ 62,085</u>	<u>\$ 1,343,694</u>	<u>\$ (648,159)</u>	<u>\$ (23,994)</u>	<u>\$ (672,153)</u>
General revenues:						
Local sources				366,197	-	366,197
State sources				3,000	-	3,000
Investments earnings				3,291	-	3,291
On behalf payments				221,643	-	221,643
and Total general revenues				<u>594,131</u>	<u>-</u>	<u>594,131</u>
Change in net assets				(54,028)	(23,994)	(78,022)
Net assets - beginning				<u>188,355</u>	<u>54,591</u>	<u>242,946</u>
Net assets - ending				<u>\$ 134,327</u>	<u>\$ 30,597</u>	<u>\$ 164,924</u>

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

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2007

	General Fund	Education Fund	Education Administration	Other Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 11,742	\$ 56,618	\$ 37,969	\$ 33,034	\$ 139,363
Due from other funds	-	6,222	-	-	6,222
Due from other governmental units	6,000	208,977	-	-	214,977
TOTAL ASSETS	\$ 17,742	\$ 271,817	\$ 37,969	\$ 33,034	\$ 360,562
LIABILITIES					
Accounts payable	\$ 16,250	\$ 9,500	\$ -	\$ -	\$ 25,750
Due to other funds	4,920	1,302	-	-	6,222
Deferred revenue	-	194,263	-	-	194,263
Total liabilities	21,170	205,065	-	-	226,235
FUND BALANCES					
Unreserved, reported in:					
General fund	(3,428)	-	-	-	(3,428)
Special revenue funds	-	66,752	37,969	33,034	137,755
Total fund balances	(3,428)	66,752	37,969	33,034	134,327
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,742	\$ 271,817	\$ 37,969	\$ 33,034	\$ 360,562

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

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total fund balances - governmental funds	\$ 134,327
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	<u> -</u>
Net assets of governmental activities	<u><u> \$ 134,327</u></u>

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

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	General Fund	Education Fund	Education Administration	Other Non-Major Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 129,539	\$ 216,806	\$ -	\$ 19,852	\$ 366,197
State sources	-	1,216,964	-	3,000	1,219,964
Federal sources	-	126,730	-	-	126,730
Interest	3,273	18	-	-	3,291
On-behalf payments from State	192,949	28,694	-	-	221,643
Total revenues	325,761	1,589,212	-	22,852	1,937,825
Expenditures:					
Salaries and benefits	99,946	653,373	-	1,681	755,000
Purchased services	58,568	198,617	-	17,233	274,418
Supplies and materials	28,758	78,424	-	2,153	109,335
Capital outlay	-	14,174	-	-	14,174
Payments to other governments	-	605,071	-	-	605,071
On-behalf payments to TRS and State	192,949	28,694	-	-	221,643
Other	12,212	-	-	-	12,212
Total expenditures	392,433	1,578,353	-	21,067	1,991,853
Excess (deficiency) of revenues over expenditures	(66,672)	10,859	-	1,785	(54,028)
Fund balances - beginning	63,244	55,893	37,969	31,249	188,355
Fund balances - ending	\$ (3,428)	\$ 66,752	\$ 37,969	\$ 33,034	\$ 134,327

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

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

Net change in fund balances \$ (54,028)

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 expenditures per the fund financials	\$	-	
Capital outlay expenditures per the government wide statement		-	
Capital outlay expenditures that are capitalized			-
Depreciation expense			-

Changes in net assets of governmental activities \$ (54,028)

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

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 June 30, 2007

	<u>Enterprise Fund Staff Development</u>
ASSETS	
Current assets:	
Cash and cash equivalents	<u><u>\$ 30,597</u></u>
NET ASSETS	
Unrestricted	<u><u>\$ 30,597</u></u>

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

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 For the Year Ended June 30, 2007

	<u>Enterprise Fund</u> <u>Staff</u> <u>Development</u>
OPERATING REVENUES:	
Charges for services	\$ 62,085
Total operating revenues	<u>62,085</u>
OPERATING EXPENSES:	
Salaries and benefits	61,393
Purchased services	19,171
Supplies and materials	5,390
Other	<u>125</u>
Total operating expenses	<u>86,079</u>
Operating income (loss)	<u>(23,994)</u>
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>54,591</u>
TOTAL NET ASSETS - END OF YEAR	<u><u>\$ 30,597</u></u>

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

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 For the Year Ended June 30, 2007

	Enterprise Fund <hr/> Staff Development <hr/>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from other funds for goods and services provided	\$ 62,085
Payments to suppliers and providers of goods and services	(24,686)
Payments to employees	<u>(61,393)</u>
Net cash provided by (used for) operating activities	<u>(23,994)</u>
Net increase (decrease) in cash and cash equivalents	(23,994)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>54,591</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 30,597</u></u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:	
Operating income (loss)	\$ (23,994)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:	<u>-</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u><u>\$ (23,994)</u></u>

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

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 153,831</u>
LIABILITIES	
Due to other governmental units	<u>153,831</u>
TOTAL LIABILITIES	<u>\$ 153,831</u>

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

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Henderson, Mercer and Warren Counties Regional Office of Education #27 (ROE) conform to accounting principles generally accepted in the United States of America for governmental entities. The following is a summary of the significant accounting policies.

FINANCIAL REPORTING ENTITY

The Regional Superintendent is responsible for supervision and control of school districts within Henderson, Mercer and Warren Counties. This includes all aspects of supervision, reports and financial accounting of districts which are considered by state law to be in the Service Region. In addition, the Regional Superintendent is charged with responsibility for township fund lands; registration of the names of applicants for scholarships to state controlled universities; examinations and related duties; visitation of public schools; direction of teachers and school officers; to serve as the official advisor and assistant of school officers and teachers, to conduct teachers institutes as well as to aid and encourage the formation of other teachers meetings and assist in their management; evaluate the schools in Henderson, Mercer and Warren Counties, 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 money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Henderson, Mercer and Warren Counties districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with state law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

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

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

For the period ended June 30, 2007, Henderson, Mercer and Warren Counties Regional Office of Education #27 applied for, received, and administered numerous state and federal programs and grants in assistance and support of the educational activities of the school districts in Henderson, Mercer and Warren Counties. Such activities are reported as a single special revenue fund (Education Fund).

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REPORTING ENTITY

The ROE's reporting entity includes all related organizations for which it exercises oversight responsibility.

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.

Certain joint agreements have been determined not to be part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the ROE does not control the assets, operations, or management of the joint agreements. However, Progressive Alternative Secondary School (PASS) was determined to be part of the reporting entity and, as such, is reflected as part of these financial statements. In addition, the ROE is not aware of any entity which would exercise such oversight as to result in the ROE being considered a component of the entity.

BASIS OF PRESENTATION – 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 nonfiduciary activities of the primary government.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

The statements are separated by governmental and business-type activities. The only business-type activity for the ROE is the Staff Development Fund, which accounts for fees that are charged for the development of staff for educators in west central Illinois.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Fund Accounting

The accounts of the ROE are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprised of its assets, liabilities, fund balance, revenues, and expenditures. The ROE's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the ROE are financed. The acquisition, use, and balances of the ROE's expendable financial resources and the related current liabilities are accounted for through Governmental Funds. The ROE's major Governmental Funds include the following:

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 General Fund is always considered a major fund.

Education Fund – The Education Fund includes proceeds from specific revenue sources that are legally restricted to expenditures for specified purposes. The following accounts are included in the Education Fund:

Teen Reach – Department of Human Services (DHS) – To account for monies received for, and payment of expenditures for, the Teen Reach program. This program consists of educational, recreational and vocational activities designed to improve youth's chances for success.

Title I – Reading First Part B SEA Funds – To account for funds received to provide assistance to school districts in establishing reading programs for students in kindergarten through third grade that are based on scientific reading research. Reading First also focuses on teacher development and ensuring that all teachers, including special education teachers, have the tools they need to effectively help their students learn to read.

Even Start – Statewide Family Literacy Program – To account for the grant monies received for, and payment of, expenditures incurred for the Even Start Grant.

Even Start - Local – To account for local grant monies received for, and payment of, expenditures incurred for the Even Start program.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)

Child and Adult Care Food Program – To account for the grant monies received for, and payment of, expenditures incurred for Child and Adult Care Food Program.

McDonough/Hancock ROE Homeless Grant – To account for grant monies received for, and payment of, expenditures incurred for the Homeless Grant from the McDonough/Hancock ROE.

Bureau/Henry/Stark ROE Century 21 Grant – To account for the grant monies received for, and payment of, expenditures incurred for the 21st Century Learning Centers Grant from the Bureau/Henry/Stark ROE.

KIDS Standards Aligned Classroom – To account for grant monies received for, and payment of, expenditures incurred for the KIDS Standards Aligned Classroom.

High Roads Youth Program – To account for the grant monies received for, and the payment of expenditures incurred for the High Roads Youth Program.

Illinois Violence Prevention Act (IVPA) Mini-Grant – To account for funds received from IVPA to provide community awareness, coordination and training to impede family violence.

Early Childhood Block Grant – To account for the grant monies received for, and payment of, expenditures incurred for the Early Childhood Block Grant.

Early Childhood – Social Emotional – To account for the grant monies received for, and payment of, expenditures incurred for the Early Childhood – Social Emotional Grant.

Early Childhood – Monitoring – To account for the grant monies received for, and payment of, expenditures incurred for the Early Childhood – Monitoring Grant. The ROE is the fiscal agent for the state for this grant.

Incoming Freshman Academy – To account for the grant monies received for, and payment of, expenditures incurred for the Incoming Freshman Academy Program.

Progressive Alternative Secondary School (P.A.S.S.) – To account for the administration of monies used for the following sources:

General State Aid – To account for the administration of monies to be received for, and payment of, expenditures for the Progressive Alternative Secondary School.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)

Adult Education and Family Literacy – State Basic – To account for grant monies received for, and payment of, expenditures incurred for students in high school, General Educational Development, and computer classes with high reading level.

Adult Education and Family Literacy – State Performance – To account for grant monies for formula-driven rewards for successful completion of the program.

Adult Education and Family Literacy – Public Assistance – To account for grant monies received from the Department of Human Services for expenditures incurred for educational services given for students on public assistance.

Regional Safe Schools – To account for the administration of monies to be used for the Regional Safe Schools Program Fund by the Illinois State Board of Education.

Title V – Innovative Programs – To account for grant monies received and expenditures for Title V – Innovative Programs.

Title IV – Safe and Drug Free Schools Formula – To account for grant monies received and expenditures for the drug prevention program.

Federal Adult Education - Basic – To account for federal grant monies received for, and payment of, education and literacy for adults.

Title II – Teacher Quality – To account for grant monies received to assist school districts in educating school staff in the use of technology and telecommunications in instructional and administrative functions.

Health Literacy – To account for grant monies received for, and payment of, expenditures for the Health Literacy Program.

State Free Lunch and Breakfast – To account for grant monies received for, and payment of, expenditures for the State Free Lunch and Breakfast Program.

National School Lunch Program – To account for grant monies received for, and payment of, expenditures for the National School Lunch Program.

School Breakfast Program – To account for grant monies received for, and payment of, expenditures for the School Breakfast Program.

School Breakfast Incentive – To account for grant monies received for, and payment of, expenditures for the School Breakfast Incentive Program.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Education Administration – To account for the stewardship of the assets held in trust per agreement with the Boards of Education of the local school districts on the use of interest earnings earned from temporary investment of distributive funds.

The ROE also reports the following non-major governmental funds:

Non-Major Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The ROE's non-major special revenue funds include the following:

General Education Development (GED) – To account for the revenues and expenditures associated with the processing of applications for the high school level GED test and the issuance of diplomas upon successful completion of the examination.

Bus Driver Training – To account for the stewardship of the assets held in trust in connection with the Bus Driver Training Program.

American College Testing (ACT) Class – To account for the administration of classes to prepare students for the ACT.

Criminal Background Investigation – To account for the assessments received from the school districts to pay for the processing of background checks of substitute teachers and expenditures incurred providing this service to the school districts.

Supervisory Expense – To account for resources accumulated for, and payment of, expenditures incurred in providing supervisory services.

Institute – To account for fees collected for the registration and renewal of teaching certificates. These fees are used to defray administrative expenses incidental to teachers' institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers or for the purpose of defraying the expense of any general or special meeting of teachers or school personnel. All funds generated remain restricted until expended only on the aforementioned activities.

Proprietary Fund Types

Enterprise Fund – Used to account for resources from fees charged directly to those entities or individuals that use the services of the Henderson, Mercer and Warren Counties Regional Office of Education #27. This consists mainly of monies received for, and payment of, expenditures for workshops and other services for the school districts. The ROE's enterprise funds include the following:

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)

Staff Development – To account for local revenues and disbursements related to the development of staff.

Fiduciary Fund Types

Agency Funds are used to account for assets held by the ROE in a trustee capacity or as an agent for individuals and private or governmental organizations. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The ROE has the following Agency Funds:

Distributive Fund – To account for funds received and disbursed as a result of the Superintendent's responsibility to receive and distribute to treasurers of school districts and other agencies, monies due to them from general state aid, state categorical grants, and various other sources.

ROE #27 Grant Program – A convenience clearing account for certain expenditures shared between Henderson, Mercer and Warren Counties Regional Office of Education #27 and other entities sharing the same office building.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

Accounting records and reports made by ROE officials are maintained on the cash basis of accounting. Under this method, revenue is recorded when collected and expenditures are recorded when disbursements are made. The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the ROE considers revenues to be available if they are collected within one year of the end of the current fiscal period.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING (Continued)

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

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

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

The proprietary fund of the ROE applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency's enterprise fund is charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUDGETS

The ROE does not adopt a formal budget for all revenues and expenditures of the governmental funds and is not legally required to do so. The Regional Office of Education Funds are controlled by the Regional Superintendent of Education and the State of Illinois. Certain programs administered by the ROE are subject to budget approval by the State of Illinois. The actual to budget comparisons are prepared on the modified accrual basis of accounting. The following accounts/funds prepare budgets:

Educational Grants:

- McDonough/Hancock ROE Homeless Grant
- Early Childhood – Block Grant
- Early Childhood – Social Emotional
- Early Childhood – Monitoring
- Adult Education and Family Literacy – State Basic
- Adult Education and Family Literacy – State Performance
- Adult Education and Family Literacy – Public Assistance
- Regional Safe Schools
- Title V – Innovative Programs
- Title IV – Safe and Drug Free Schools Formula
- Federal Adult Education - Basic
- Title II – Teacher Quality

INTEREST REVENUE

Illinois State Board of Education (ISBE) funds received by the ROE for the Distributive Fund accrue interest for the period of time between the receipt of the funds and clearance of checks to the recipient. In accordance with an agreement dated May 24, 1988 with the school district boards served, interest earned on Distributive Fund deposits is transferred to the General Fund to offset wire service and other bank charges incurred by the Distributive Fund.

Distributive Fund interest earned and related charges are recognized as revenues and expenditures in the general fund.

TEACHER CERTIFICATION

Teacher certification revenues are recognized over a five year period when applicable.

REVENUES – EXCHANGE AND NON-EXCHANGE TRANSACTIONS

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUES – EXCHANGE AND NON-EXCHANGE TRANSACTIONS (Continued)

Non-exchange transactions, in which the ROE receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used of the fiscal year when use is first permitted, matching requirements, in which the ROE must provide local resources to be used for specific purpose, and expenditure requirements, in which the resources are provided to the ROE on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

CAPITAL ASSETS

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets. Purchases of equipment are recorded as capital outlay expenditures of the various funds. All capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. The ROE capitalizes items costing \$5,000 or more. As of June 30, 2007, there were no items costing \$5,000 or more.

DEFERRED REVENUES

The ROE reports unearned deferred revenue in the governmental fund Balance Sheet. Deferred and unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period.

INVESTMENTS AND CASH ACCOUNTS

State regulations require that the Henderson, Mercer and Warren Counties Regional Office of Education #27 deposit funds under its control into accounts insured by the federal government, secured by substantial collateral or into pooled investment trusts. All funds not needed for immediate disbursements are maintained in interest bearing accounts. Statutes authorize the ROE to make deposits or invest in obligation of states and their political subdivisions, savings accounts, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Public Treasurer's Investment Pool.

REVENUES FROM FEDERAL AND STATE GRANTS

Revenues from federal and state grant awards are recorded net of the amount due to the State for the unused portion of the grant or the amount carried over to the following fiscal year project. Amounts due to the state or carried over to the following year project are recorded as liabilities.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DUE FROM OTHER GOVERNMENTAL UNITS AND AGENCIES

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.

ACCUMULATED UNPAID VACATION AND SICK PAY

Sick pay must be accumulated but does not vest with the employee. Vacation time must be used during the calendar year earned or it is forfeited. Any accruals as of June 30 are considered immaterial.

INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds and are classified as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

EQUITY CLASSIFICATIONS

Government-wide Statements

Equity is classified as net assets. Net assets represent the difference between assets and liabilities and is displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NEW ACCOUNTING STANDARDS

There was one new accounting standard implemented during the year ended June 30, 2007: Governmental Accounting Standards Board Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This new standard was implemented during the year ended June 30, 2007, but did not have a significant impact on the financial statements.

2. INTERGOVERNMENTAL AGREEMENT

Henderson, Mercer and Warren Counties Regional Office of Education #27 entered into an Intergovernmental Agreement with Rock Island Regional Office of Education #49 executed pursuant to the provisions of the Intergovernmental Cooperation Clause of the Illinois Constitution as well as the provisions of the Intergovernmental Cooperation Act of 1973 and the Illinois Admin. Code 525.110.

3. CASH

The *Illinois Compiled Statutes* authorize the ROE to make deposits and 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 Public Treasurer's Investment Pool.

At June 30, 2007, the carrying amount of the ROE's various bank deposits totaled \$323,791 and the bank balances totaled \$422,336. Included in the bank balance is \$63,344 deposited in the Illinois Funds. The Illinois Funds portfolio includes: certificates of deposit issued by Illinois financial institutions, repurchase agreements backed by direct treasury obligations from primary government securities dealers, direct treasury obligations of the U.S. Government, and money market funds backed by full faith and credit obligations of the U.S. Government. The ROE owns no identifiable investment securities in the Illinois Funds; therefore, credit risk cannot be assessed for the Illinois Funds.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

CASH (continued)

Custodial credit risk is the risk that in the event of a bank failure, the ROE's deposits may not be returned to it. The ROE does not have a deposit policy for custodial credit risk. As of June 30, 2007, \$9,586 of the ROE's bank balance of \$422,336 was exposed to custodial credit risk as uninsured and uncollateralized.

4. RECEIVABLES/PAYABLES

Receivables for the Henderson, Mercer and Warren Counties ROE #27 at June 30, 2007, are as follows:

	Due from Other Governmental Units	Other	Total
Governmental activities:			
General	\$ 6,000	\$ -	\$ 6,000
Education	208,977	-	208,977
Total governmental activities	\$ 214,977	\$ -	\$ 214,977

Payables for the Henderson, Mercer and Warren Counties ROE #27 at June 30, 2007, are as follows:

	Vendors	Other	Total
Governmental activities:			
General	\$ 16,250	\$ -	\$ 16,250
Education	9,500	-	9,500
Total governmental activities	\$ 25,750	\$ -	\$ 25,750

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

5. DUE TO/FROM OTHER FUNDS

The Henderson, Mercer and Warren Counties ROE #27 had the following due to/from other fund balances for the year ended June 30, 2007:

	DUE FROM OTHER FUNDS:		
	General Fund	Education Fund	Total
DUE TO OTHER FUNDS:			
Education Fund	\$ 4,920	\$ 1,302	\$ 6,222
Total	\$ 4,920	\$ 1,302	\$ 6,222

6. DUE TO/FROM OTHER GOVERNMENTS

The Henderson, Mercer and Warren Counties Regional Office of Education #27's governmental and fiduciary activities have amounts due to and due from various other governmental units which consist of the following:

Due From Other Governmental Units:

Illinois State Board of Education	<u>\$214,977</u>
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Due To Other Governmental Units:

Local School Districts	<u>\$153,831</u>
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7. RETIREMENT PLANS

All certified personnel participate in the Teachers' Retirement System of the State of Illinois (TRS). All other employees who meet or exceed prescribed annual hourly standards are enrolled in the Illinois Municipal Retirement Fund (IMRF).

TRS Plan Description

The ROE (employer) 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.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

RETIREMENT PLANS (continued)

TRS Plan Description (Continued)

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 for the year ended June 30, 2007 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.

In addition, virtually all employers and members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The employer THIS Fund contribution was 0.6 percent during the year ended June 30, 2007, and the member THIS Fund health insurance contribution was 0.8 percent.

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, 2007, State of Illinois contributions were based on 9.78 percent of creditable earnings, and the ROE recognized revenue and expenditures of \$28,694 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2006, and June 30, 2005, the State of Illinois contribution rates as percentages of creditable earnings were 7.06 percent (\$21,459) and 11.76 percent (\$23,713), respectively.

The state contributions to TRS for the years ended June 30, 2007 and June 30, 2006 were based on dollar amounts specified by the statute and were not actuarially determined. The state contributions for the year ended June 30, 2005 were based on an actuarial formula.

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

- 2.2 Formula Contributions. Employers contribute 0.58 percent of creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2007 were \$1,702. Contributions for the years ended June 30, 2006, and June 30, 2005, were \$1,763 and \$1,170, 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.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

RETIREMENT PLANS (Continued)

TRS Plan Description (Continued)

For the year ended June 30, 2007, the employer pension contribution was 9.78 percent of salaries paid from federal and trust funds. For the year ended June 30, 2006, the employer contribution was 7.06 percent of salaries paid from federal and trust funds. For the year ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2007, salaries totaling \$7,039 were paid from federal and trust funds that required employer contributions of \$688. For the years ended June 30, 2006 and June 30, 2005, required ROE contributions were \$882 and \$30, 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 of service (unless the member qualifies for the Pipeline ERO).

Under the ERO program that expired on June 30, 2005 and 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, 2007, the ROE paid \$-0- to TRS for employer contributions under the Pipeline ERO and Modified ERO programs. For the years ended June 30, 2006 and June 30, 2005, the ROE made no payments under the ERO.

- 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 of up to 6 percent.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

RETIREMENT PLANS (continued)

TRS Plan Description (Continued)

For the year ended June 30, 2007, the ROE paid \$-0- to TRS for employer contributions due on salary increases in excess of 6 percent. For the year ended June 30, 2006, the ROE paid \$-0- in employer contributions due on salary increases in excess of 6 percent.

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary used to calculate final average salary, and the TRS total normal cost rate (17.60 percent of salary during the year ended June 30, 2007).

For the year ended June 30, 2007, the ROE paid \$-0- to TRS for sick leave days granted in the excess of the normal annual allotment. For the year ended June 30, 2006, the ROE paid \$-0- in employer contributions granted for sick leave days.

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, 2006. The report for the year ended June 30, 2007, is expected to be available in late 2007. 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, Illinois 62794-9253. The most current report is also available on the TRS Web site at www.trs.illinois.gov.

Illinois Municipal Retirement Fund

The ROE's defined benefit pension plan, Illinois Municipal Retirement (IMRF) provides retirement, disability, annual cost of living adjustments, and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

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

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by State statute. The Henderson, Mercer and Warren Counties Regional Office of Education #27 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2006 was 11.55 percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2006, was 5 years.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

RETIREMENT PLANS (continued)

Illinois Municipal Retirement Fund (Continued)

For December 31, 2006, the Henderson, Mercer and Warren Counties Regional Office of Education #27's annual pension cost of \$40,895 was equal to the ROE's required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50 percent investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 11.6 percent per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3.00 percent annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15 percent corridor. The assumptions used for the 2006 actuarial valuation were based on the 2002-2004 experience study.

Trend Information

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2006	\$ 40,895	100 %	\$0
12/31/2005	41,605	100	0
12/31/2004	21,995	100	0
12/31/2003	19,737	100	0
12/31/2002	9,701	100	0
12/31/2001	11,448	100	0
12/31/2000	10,236	100	0
12/31/1999	8,330	100	0
12/31/1998	6,612	100	0
12/31/1997	3,183	100	0

8. OTHER DISCLOSURES

Accounting principles generally accepted in the United States of America 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 overextended appropriations during the year are required to be disclosed.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

OTHER DISCLOSURES (continued)

A. The following funds/accounts had a deficit fund balance at June 30, 2007.

<u>Fund/Account</u>	<u>Amount</u>
General Fund	\$ 3,428
Title I Reading First Part B SEA Funds	3,153
Child and Adult Care Food Program	3,849
Adult Education and Family Literacy – State Basic	5
Adult Education and Family Literacy – State Performance	9
General Education Development	7,795

B. The following funds had an excess of actual expenditures over budget for the year ended June 30, 2007.

<u>Fund</u>	<u>Budget Amount</u>	<u>Expenditures</u>	<u>Unfavorable Variance</u>
Adult Education & Family Literacy - State Basic	\$ 43,041	\$ 43,045	\$ 4
Adult Education & Family Literacy - Public Assistance	32,988	34,219	1,231
Title V - Innovative Programs	75	86	11
Title IV - Safe and Drug Free Schools Formula	107	130	23
Federal Adult Education - Basic	44,547	44,587	40

9. INTEREST ON DISTRIBUTIVE FUND

Interest earned on distributive fund receipts is remitted to all affected school boards and other entities that have activity in the distributive fund. The interest monies are allocated based upon the total flow-through activity for each entity and are distributed based on those percentages once per year.

10. OPERATING LEASES

Progressive Alternative Secondary School (PASS) leases their office and classroom space at a monthly rent of \$2,660. The original lease, dated June 1, 2005, which was for a term of one year, was renewed for an additional twelve months after the initial term expired. The lease renewal ended May 31, 2007. There is no documented lease in effect at June 30, 2007.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

OPERATING LEASES (continued)

The ROE's main office leases its office space at a yearly rent of \$6,000. The lease is renewable on a year to year basis.

During the year ended June 30, 2007, rentals under lease obligations were \$41,580.

11. ON-BEHALF PAYMENTS AND RELATED PARTY TRANSACTIONS

The State of Illinois makes contributions directly to TRS on behalf of the ROE's TRS-covered employees. The salaries, fringe benefits, and TRS contributions of the Regional Superintendent and the Assistant Superintendents are paid by the State of Illinois. The following salary and benefit data for the Regional Superintendent and Assistant Regional Superintendents was calculated based on data provided by the Illinois State Board of Education.

TRS pension contributions	\$28,694
Regional Superintendent – salary	81,512
Regional Superintendent – benefits (includes State paid insurance)	19,388
Assistant Regional Superintendent – salary	71,864
Assistant Regional Superintendent – benefits (includes State paid insurance)	<u>20,185</u>
Total	<u>\$221,643</u>

REQUIRED SUPPLEMENTARY INFORMATION
(Other than Management Discussion and Analysis)

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 ILLINOIS MUNICIPAL RETIREMENT FUND
 SCHEDULE OF FUNDING PROGRESS
 For the Year Ended June 30, 2007

(Unaudited - See Accompanying Independent Auditor's Report)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2006	\$ 535,577	\$ 553,389	\$ 17,812	96.78%	\$ 354,073	5.03%
12/31/2005	453,317	520,801	67,484	87.04%	329,675	20.47%
12/31/2004	373,512	418,360	44,848	89.28%	236,506	18.96%
12/31/2003	335,060	378,646	43,586	88.49%	263,865	16.52%
12/31/2002	313,751	317,224	3,473	98.91%	241,324	1.44%
12/31/2001	284,306	264,492	(19,814)	107.49%	170,607	0.00%
12/31/2000	242,009	210,403	(31,606)	115.02%	123,624	0.00%
12/31/1999	196,844	180,437	(16,407)	109.09%	121,256	0.00%
12/31/1998	150,629	149,510	(1,119)	100.75%	123,584	0.00%
12/31/1997	118,046	113,572	(4,474)	103.94%	122,209	0.00%

On a market value basis, the actuarial value of assets as of December 31, 2006 is \$571,633. On a market basis, the funded ratio would be 103.30%.

Digest of Changes

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

The principal changes were:

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

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

SUPPLEMENTAL INFORMATION

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
 June 30, 2007

	Teen Reach Department of Human Services	Title I Reading First Part B SEA Funds	Even Start - Statewide Family Literacy Program	Even Start Local	Child and Adult Care Food Program	McDonough/ Hancock ROE Homeless Grant
ASSETS						
ASSETS						
Cash and cash equivalents	\$ -	\$ (3,153)	\$ (4,853)	\$ 3,904	\$ (3,849)	\$ 40
Due from other funds	-	-	4,920	-	-	-
Due from other governmental units and agencies	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ (3,153)</u>	<u>\$ 67</u>	<u>\$ 3,904</u>	<u>\$ (3,849)</u>	<u>\$ 40</u>
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	40
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40</u>
FUND BALANCE						
Unreserved	<u>-</u>	<u>(3,153)</u>	<u>67</u>	<u>3,904</u>	<u>(3,849)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ -</u>	<u>\$ (3,153)</u>	<u>\$ 67</u>	<u>\$ 3,904</u>	<u>\$ (3,849)</u>	<u>\$ 40</u>

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
 June 30, 2007

	Bureau/ Henry/ Stark ROE Century 21 Grant	KIDS Standards Aligned Classroom	High Roads Youth Program	Illinois Violence Prevention Act Mini-Grant	Early Childhood - Block Grant
ASSETS					
ASSETS					
Cash and cash equivalents	\$ 3,071	\$ 10,749	\$ 303	\$ 4,621	\$ (80,766)
Due from other funds	-	-	-	-	-
Due from other governmental units and agencies	-	-	-	-	115,882
TOTAL ASSETS	\$ 3,071	\$ 10,749	\$ 303	\$ 4,621	\$ 35,116
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Deferred revenue	-	7,649	-	-	35,116
Total Liabilities	-	7,649	-	-	35,116
FUND BALANCE					
Unreserved	3,071	3,100	303	4,621	-
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 3,071	\$ 10,749	\$ 303	\$ 4,621	\$ 35,116

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
 June 30, 2007

ASSETS	Early Childhood - Social Emotional	Early Childhood - Monitoring	Incoming Freshman Academy	Progressive Alternative Secondary School (P.A.S.S.)	Total
Cash and cash equivalents	\$ 14,149	\$ 63,763	\$ 3,567	\$ 45,072	\$ 56,618
Due from other funds	-	-	-	1,302	6,222
Due from other governmental units and agencies	-	65,814	-	27,281	208,977
TOTAL ASSETS	\$ 14,149	\$ 129,577	\$ 3,567	\$ 73,655	\$ 271,817
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 9,500	\$ -	\$ -	\$ -	\$ 9,500
Due to other funds	-	-	-	1,302	1,302
Deferred revenue	4,649	129,577	-	17,232	194,263
Total Liabilities	14,149	129,577	-	18,534	205,065
FUND BALANCE					
Unreserved	-	-	3,567	55,121	66,752
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 14,149	\$ 129,577	\$ 3,567	\$ 73,655	\$ 271,817

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 For the Year Ended June 30, 2007

	Teen Reach Department of Human Services	Title I Reading First Part B SEA Funds	Even Start - Statewide Family Literacy Program	Even Start Local	Child and Adult Care Food Program	McDonough/ Hancock ROE Homeless Grant
REVENUES						
Local sources	\$ -	\$ -	\$ -	\$ 10,125	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	-	17,612	-	-	9,500
Interest	18	-	-	-	-	-
On behalf payments from State	-	-	-	-	-	-
Total revenues	18	-	17,612	10,125	-	9,500
EXPENDITURES						
Salaries and benefits	-	-	8,975	17,602	-	6,933
Purchased services	4,683	-	4,161	3,650	-	2,234
Supplies and materials	-	-	4,476	4,591	-	333
Capital outlay	-	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-
On-behalf payments to TRS and State	-	-	-	-	-	-
Total expenditures	4,683	-	17,612	25,843	-	9,500
Excess (deficiency) of revenues over expenditures	(4,665)	-	-	(15,718)	-	-
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR						
	4,665	(3,153)	67	19,622	(3,849)	-
FUND BALANCE (DEFICIT) AT END OF YEAR						
	\$ -	\$ (3,153)	\$ 67	\$ 3,904	\$ (3,849)	\$ -

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 For the Year Ended June 30, 2007

	Bureau/ Henry/ Stark ROE Century 21 Grant	KIDS Standards Aligned Classroom	High Roads Youth Program	Illinois Violence Prevention Act Mini-Grant	Early Childhood - Block Grant
REVENUES					
Local sources	\$ 23,151	\$ -	\$ 125,243	\$ -	\$ -
State sources	-	-	-	-	338,327
Federal sources	-	47,387	-	-	-
Interest	-	-	-	-	-
On behalf payments from State	-	-	-	-	-
Total revenues	<u>23,151</u>	<u>47,387</u>	<u>125,243</u>	<u>-</u>	<u>338,327</u>
EXPENDITURES					
Salaries and benefits	24,883	-	78,441	-	136,731
Purchased services	3,432	12,998	27,636	-	34,097
Supplies and materials	248	9	5,352	-	37,955
Capital outlay	-	-	2,552	-	1,699
Payments to other governments	-	34,380	1,821	-	127,845
On-behalf payments to TRS and State	-	-	-	-	-
Total expenditures	<u>28,563</u>	<u>47,387</u>	<u>115,802</u>	<u>-</u>	<u>338,327</u>
Excess (deficiency) of revenues over expenditures	(5,412)	-	9,441	-	-
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR					
	<u>8,483</u>	<u>3,100</u>	<u>(9,138)</u>	<u>4,621</u>	<u>-</u>
FUND BALANCE (DEFICIT) AT END OF YEAR					
	<u>\$ 3,071</u>	<u>\$ 3,100</u>	<u>\$ 303</u>	<u>\$ 4,621</u>	<u>\$ -</u>

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 For the Year Ended June 30, 2007

	Early Childhood - Social Emotional	Early Childhood - Monitoring	Incoming Freshman Academy	Progressive Alternative Secondary School (P.A.S.S.)	Total
REVENUES					
Local sources	\$ -	\$ -	\$ 25,129	\$ 33,158	\$ 216,806
State sources	9,500	517,923	-	351,214	1,216,964
Federal sources	-	-	-	52,231	126,730
Interest	-	-	-	-	18
On behalf payments from State	-	-	-	28,694	28,694
	<u>9,500</u>	<u>517,923</u>	<u>25,129</u>	<u>465,297</u>	<u>1,589,212</u>
Total revenues					
EXPENDITURES					
Salaries and benefits	-	35,008	15,395	329,405	653,373
Purchased services	9,500	32,639	1,251	62,336	198,617
Supplies and materials	-	3,763	4,916	16,781	78,424
Capital outlay	-	5,488	-	4,435	14,174
Payments to other governments	-	441,025	-	-	605,071
On-behalf payments to TRS and State	-	-	-	28,694	28,694
	<u>9,500</u>	<u>517,923</u>	<u>21,562</u>	<u>441,651</u>	<u>1,578,353</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	-	-	3,567	23,646	10,859
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,475</u>	<u>55,893</u>
FUND BALANCE (DEFICIT) AT END OF YEAR					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,567</u>	<u>\$ 55,121</u>	<u>\$ 66,752</u>

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 MCDONOUGH/HANCOCK ROE HOMELESS GRANT
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal sources	\$ 9,500	\$ 9,500	\$ 9,500	\$ -
Total revenues	<u>9,500</u>	<u>9,500</u>	<u>9,500</u>	<u>-</u>
EXPENDITURES				
Salaries and benefits	6,774	6,774	6,933	(159)
Purchased services	2,440	2,440	2,234	206
Supplies and materials	<u>286</u>	<u>286</u>	<u>333</u>	<u>(47)</u>
Total expenditures	<u>9,500</u>	<u>9,500</u>	<u>9,500</u>	<u>-</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>-</u>	
FUND BALANCE AT END OF YEAR			<u>\$ -</u>	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 EARLY CHILDHOOD - BLOCK GRANT
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
State sources	\$ 370,000	\$ 372,900	\$ 338,327	\$ (34,573)
Total revenues	370,000	372,900	338,327	(34,573)
 EXPENDITURES				
Salaries and benefits	146,317	153,820	136,731	17,089
Purchased services	177,592	84,989	34,097	50,892
Supplies and materials	42,091	56,091	37,955	18,136
Capital outlay	4,000	4,000	1,699	2,301
Payments to other governments	-	74,000	127,845	(53,845)
Total expenditures	370,000	372,900	338,327	34,573
Excess of revenue over expenditures	\$ -	\$ -	-	\$ -
 FUND BALANCE AT BEGINNING OF YEAR				
			-	
 FUND BALANCE AT END OF YEAR				
			\$ -	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 EARLY CHILDHOOD - SOCIAL EMOTIONAL
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State sources	\$ 14,149	\$ 14,149	\$ 9,500	\$ (4,649)
Total revenues	<u>14,149</u>	<u>14,149</u>	<u>9,500</u>	<u>(4,649)</u>
EXPENDITURES				
Salaries and benefits	200	200	-	200
Purchased services	11,744	11,744	9,500	2,244
Supplies and materials	<u>2,205</u>	<u>2,205</u>	<u>-</u>	<u>2,205</u>
Total expenditures	<u>14,149</u>	<u>14,149</u>	<u>9,500</u>	<u>4,649</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>-</u>	
FUND BALANCE AT END OF YEAR			<u>\$ -</u>	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 EARLY CHILDHOOD - MONITORING
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State sources	\$ 647,500	\$ 647,500	\$ 517,923	\$ (129,577)
Total revenues	<u>647,500</u>	<u>647,500</u>	<u>517,923</u>	<u>(129,577)</u>
EXPENDITURES				
Salaries and benefits	34,000	37,000	35,008	1,992
Purchased services	7,500	48,100	32,639	15,461
Supplies and materials	5,500	18,500	3,763	14,737
Capital outlay	5,000	6,500	5,488	1,012
Payments to other governments	<u>595,500</u>	<u>537,400</u>	<u>441,025</u>	<u>96,375</u>
Total expenditures	<u>647,500</u>	<u>647,500</u>	<u>517,923</u>	<u>129,577</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE AT BEGINNING OF YEAR				
			<u>-</u>	
FUND BALANCE AT END OF YEAR				
			<u>\$ -</u>	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING SCHEDULE OF ACCOUNTS
 P.A.S.S.
 June 30, 2007

	General State Aid	Adult Education and Family Literacy - State Basic	Adult Education and Family Literacy - State Performance	Adult Education and Family Literacy - Public Assistance	Regional Safe Schools	Title V - Innovative Programs	Title IV - Safe and Drug Free Schools Formula	Federal Adult Education - Basic
ASSETS								
Cash and cash equivalents	\$ 32,420	\$ 21	\$ 5,695	\$ (1,214)	\$ 5,615	\$ (7)	\$ (23)	\$ (2,211)
Due from other funds	-	-	-	1,232	-	7	23	40
Due from other governmental units and agencies	22,025	-	-	-	-	-	-	2,171
TOTAL ASSETS	\$ 54,445	\$ 21	\$ 5,695	\$ 18	\$ 5,615	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCE								
LIABILITIES								
Due to other funds	\$ 1,302	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	26	5,704	-	5,615	-	-	-
Total Liabilities	1,302	26	5,704	-	5,615	-	-	-
FUND BALANCE								
Unreserved	53,143	(5)	(9)	18	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 54,445	\$ 21	\$ 5,695	\$ 18	\$ 5,615	\$ -	\$ -	\$ -

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING SCHEDULE OF ACCOUNTS
 P.A.S.S.
 June 30, 2007

	Title II Teacher Quality	Health Literacy	State Free Lunch and Breakfast	National School Lunch Program	School Breakfast Program	School Breakfast Incentive	Total
ASSETS							
ASSETS							
Cash and cash equivalents	\$ -	\$ 300	\$ (134)	\$ 4,834	\$ (222)	\$ (2)	\$ 45,072
Due from other funds	-	-	-	-	-	-	1,302
Due from other governmental units and agencies	-	-	161	2,551	371	2	27,281
TOTAL ASSETS	\$ -	\$ 300	\$ 27	\$ 7,385	\$ 149	\$ -	\$ 73,655
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,302
Deferred revenue	-	-	-	5,887	-	-	17,232
Total Liabilities	-	-	-	5,887	-	-	18,534
FUND BALANCE							
Unreserved	-	300	27	1,498	149	-	55,121
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ -	\$ 300	\$ 27	\$ 7,385	\$ 149	\$ -	\$ 73,655

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 P.A.S.S. ACCOUNTS
 For the Year Ended June 30, 2007

	General State Aid	Adult Education and Family Literacy - State Basic	Adult Education and Family Literacy - State Performance	Adult Education and Family Literacy - Public Assistance	Regional Safe Schools	Title V - Innovative Programs	Title IV - Safe and Drug Free Schools Formula	Federal Adult Education - Basic
REVENUES								
Local sources	\$ 33,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	176,200	43,045	28,212	34,219	68,833	-	-	-
Federal sources	-	-	-	-	-	86	130	44,587
On-behalf payments from State	28,694	-	-	-	-	-	-	-
Total revenues	238,052	43,045	28,212	34,219	68,833	86	130	44,587
EXPENDITURES								
Salaries and benefits	122,267	39,970	28,212	31,438	65,849	86	130	41,075
Purchased services	49,984	3,075	-	2,781	2,984	-	-	3,512
Supplies and materials	9,026	-	-	-	-	-	-	-
Capital outlay	4,435	-	-	-	-	-	-	-
On-behalf payment to TRS and State	28,694	-	-	-	-	-	-	-
Total expenditures	214,406	43,045	28,212	34,219	68,833	86	130	44,587
Excess (deficiency) of revenues over expenditures	23,646	-	-	-	-	-	-	-
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	29,497	(5)	(9)	18	-	-	-	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 53,143	\$ (5)	\$ (9)	\$ 18	\$ -	\$ -	\$ -	\$ -

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 P.A.S.S. ACCOUNTS
 For the Year Ended June 30, 2007

	Title II Teacher Quality	Health Literacy	State Free Lunch and Breakfast	National School Lunch Program	School Breakfast Program	School Breakfast Incentive	Total
REVENUES							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,158
State sources	-	-	685	-	-	20	351,214
Federal sources	378	-	-	5,190	1,860	-	52,231
On-behalf payments from State	-	-	-	-	-	-	28,694
Total revenues	378	-	685	5,190	1,860	20	465,297
EXPENDITURES							
Salaries and benefits	378	-	-	-	-	-	329,405
Purchased services	-	-	-	-	-	-	62,336
Supplies and materials	-	-	685	5,190	1,860	20	16,781
Capital outlay	-	-	-	-	-	-	4,435
On-behalf payment to TRS and State	-	-	-	-	-	-	28,694
Total expenditures	378	-	685	5,190	1,860	20	441,651
Excess (deficiency) of revenues over expenditures	-	-	-	-	-	-	23,646
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	-	300	27	1,498	149	-	31,475
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ -	\$ 300	\$ 27	\$ 1,498	\$ 149	\$ -	\$ 55,121

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 P.A.S.S. ACCOUNTS
 ADULT EDUCATION AND FAMILY LITERACY - STATE BASIC
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
State sources	\$ 43,041	\$ 43,041	\$ 43,045	\$ 4
Total revenues	<u>43,041</u>	<u>43,041</u>	<u>43,045</u>	<u>4</u>
EXPENDITURES				
Salaries and benefits	40,041	40,041	39,970	71
Purchased services	<u>3,000</u>	<u>3,000</u>	<u>3,075</u>	<u>(75)</u>
Total expenditures	<u>43,041</u>	<u>43,041</u>	<u>43,045</u>	<u>(4)</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR			<u>(5)</u>	
FUND BALANCE (DEFICIT) AT END OF YEAR			<u>\$ (5)</u>	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 P.A.S.S. ACCOUNTS
 ADULT EDUCATION AND FAMILY LITERACY - STATE PERFORMANCE
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State sources	\$ 33,916	\$ 33,916	\$ 28,212	\$ (5,704)
Total revenues	<u>33,916</u>	<u>33,916</u>	<u>28,212</u>	<u>(5,704)</u>
EXPENDITURES				
Salaries and benefits	<u>33,916</u>	<u>33,916</u>	<u>28,212</u>	<u>5,704</u>
Total expenditures	<u>33,916</u>	<u>33,916</u>	<u>28,212</u>	<u>5,704</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR			<u>(9)</u>	
FUND BALANCE (DEFICIT) AT END OF YEAR			<u>\$ (9)</u>	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 P.A.S.S. ACCOUNTS
 ADULT EDUCATION AND FAMILY LITERACY - PUBLIC ASSISTANCE
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State sources	\$ 32,988	\$ 32,988	\$ 34,219	\$ 1,231
Total revenues	<u>32,988</u>	<u>32,988</u>	<u>34,219</u>	<u>1,231</u>
 EXPENDITURES				
Salaries and benefits	30,260	30,260	31,438	(1,178)
Purchased services	<u>2,728</u>	<u>2,728</u>	<u>2,781</u>	<u>(53)</u>
Total expenditures	<u>32,988</u>	<u>32,988</u>	<u>34,219</u>	<u>(1,231)</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
 FUND BALANCE AT BEGINNING OF YEAR			<u>18</u>	
 FUND BALANCE AT END OF YEAR			<u>\$ 18</u>	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 P.A.S.S. ACCOUNTS
 REGIONAL SAFE SCHOOLS
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State sources	\$ 74,448	\$ 74,448	\$ 68,833	\$ (5,615)
Total revenues	<u>74,448</u>	<u>74,448</u>	<u>68,833</u>	<u>(5,615)</u>
 EXPENDITURES				
Salaries and benefits	71,448	71,448	65,849	5,599
Purchased services	<u>3,000</u>	<u>3,000</u>	<u>2,984</u>	<u>16</u>
Total expenditures	<u>74,448</u>	<u>74,448</u>	<u>68,833</u>	<u>5,615</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
 FUND BALANCE AT BEGINNING OF YEAR				
			<u>-</u>	
 FUND BALANCE AT END OF YEAR				
			<u>\$ -</u>	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 P.A.S.S. ACCOUNTS
 TITLE V - INNOVATIVE PROGRAMS
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal sources	\$ 75	\$ 75	\$ 86	\$ 11
Total revenues	<u>75</u>	<u>75</u>	<u>86</u>	<u>11</u>
EXPENDITURES				
Salaries and benefits	<u>75</u>	<u>75</u>	<u>86</u>	<u>(11)</u>
Total expenditures	<u>75</u>	<u>75</u>	<u>86</u>	<u>(11)</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>-</u>	
FUND BALANCE AT END OF YEAR			<u>\$ -</u>	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 P.A.S.S. ACCOUNTS
 TITLE IV - SAFE AND DRUG FREE SCHOOLS FORMULA
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal sources	\$ 107	\$ 107	\$ 130	\$ 23
Total revenues	<u>107</u>	<u>107</u>	<u>130</u>	<u>23</u>
 EXPENDITURES				
Salaries and benefits	<u>107</u>	<u>107</u>	<u>130</u>	<u>(23)</u>
Total expenditures	<u>107</u>	<u>107</u>	<u>130</u>	<u>(23)</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
 FUND BALANCE AT BEGINNING OF YEAR			<u>-</u>	
 FUND BALANCE AT END OF YEAR			<u>\$ -</u>	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 P.A.S.S. ACCOUNTS
 FEDERAL ADULT EDUCATION - BASIC
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal sources	\$ 44,547	\$ 44,547	\$ 44,587	\$ 40
Total revenues	<u>44,547</u>	<u>44,547</u>	<u>44,587</u>	<u>40</u>
 EXPENDITURES				
Salaries and benefits	41,074	41,074	41,075	(1)
Purchased services	<u>3,473</u>	<u>3,473</u>	<u>3,512</u>	<u>(39)</u>
Total expenditures	<u>44,547</u>	<u>44,547</u>	<u>44,587</u>	<u>(40)</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>-</u>	
FUND BALANCE AT END OF YEAR			<u>\$ -</u>	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 P.A.S.S. ACCOUNTS
 TITLE II - TEACHER QUALITY
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal sources	\$ 378	\$ 378	\$ 378	\$ -
Total revenues	<u>378</u>	<u>378</u>	<u>378</u>	<u>-</u>
EXPENDITURES				
Salaries and benefits	<u>378</u>	<u>378</u>	<u>378</u>	<u>-</u>
Total expenditures	<u>378</u>	<u>378</u>	<u>378</u>	<u>-</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>-</u>	
FUND BALANCE AT END OF YEAR			<u>\$ -</u>	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING BALANCE SHEET
 NON MAJOR SPECIAL REVENUE FUNDS
 June 30, 2007

	General Education Development	Bus Driver Training	American College Test (ACT) Class	Criminal Background Investigation	Supervisory Expense	Institute	Total
ASSETS							
Cash and cash equivalents	\$ (7,795)	\$ 7,662	\$ 94	\$ 374	\$ 640	\$ 32,059	\$ 33,034
FUND BALANCE (DEFICIT)							
Unreserved	\$ (7,795)	\$ 7,662	\$ 94	\$ 374	\$ 640	\$ 32,059	\$ 33,034

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NON MAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2007

	General Education Development	Bus Driver Training	American College Test (ACT) Class	Criminal Background Investigation	Supervisory Expense	Institute	Total
REVENUES							
Local sources	\$ 1,047	\$ 1,112	\$ 2,403	\$ 1,294	\$ -	\$ 13,996	\$ 19,852
State sources	-	-	-	-	3,000	-	3,000
Total revenues	<u>1,047</u>	<u>1,112</u>	<u>2,403</u>	<u>1,294</u>	<u>3,000</u>	<u>13,996</u>	<u>22,852</u>
EXPENDITURES							
Salaries and benefits	1,658	-	-	-	-	23	1,681
Purchased services	1,156	741	393	2,288	2,603	10,052	17,233
Supplies and materials	-	-	1,527	-	-	626	2,153
Total expenditures	<u>2,814</u>	<u>741</u>	<u>1,920</u>	<u>2,288</u>	<u>2,603</u>	<u>10,701</u>	<u>21,067</u>
Excess (deficiency) of revenues over expenditures	(1,767)	371	483	(994)	397	3,295	1,785
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>(6,028)</u>	<u>7,291</u>	<u>(389)</u>	<u>1,368</u>	<u>243</u>	<u>28,764</u>	<u>31,249</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u><u>\$ (7,795)</u></u>	<u><u>\$ 7,662</u></u>	<u><u>\$ 94</u></u>	<u><u>\$ 374</u></u>	<u><u>\$ 640</u></u>	<u><u>\$ 32,059</u></u>	<u><u>\$ 33,034</u></u>

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 June 30, 2007

	Distributive Fund	ROE #27 Grant Program	Total
ASSETS			
ASSETS			
Cash and cash equivalents	\$ 44,245	\$ 109,586	\$ 153,831
LIABILITIES			
LIABILITIES			
Due to other governmental units	44,245	109,586	153,831
TOTAL LIABILITIES	\$ 44,245	\$ 109,586	\$ 153,831

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
DISTRIBUTIVE FUND				
ASSETS				
Cash and cash equivalents	\$ 36,597	\$ 1,335,583	\$ 1,327,935	\$ 44,245
LIABILITIES				
Due to other governmental units and agencies	36,597	1,335,583	1,327,935	44,245
TOTAL LIABILITIES	\$ 36,597	\$ 1,335,583	\$ 1,327,935	\$ 44,245
ROE #27 GRANT PROGRAM				
ASSETS				
Cash and cash equivalents	\$ 14,392	\$ 125,194	\$ 30,000	\$ 109,586
LIABILITIES				
Due to other governmental units and agencies	\$ 14,392	\$ 125,194	\$ 30,000	\$ 109,586
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 50,989	\$ 1,460,777	\$ 1,357,935	\$ 153,831
LIABILITIES				
Due to other governmental units and agencies	50,989	1,460,777	1,357,935	153,831
	\$ 50,989	\$ 1,460,777	\$ 1,357,935	\$ 153,831

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
 DISTRIBUTIVE FUND
 For the Year Ended June 30, 2007

	ROE No. 27	P.A.S.S.	Total
Adult Education - Federal	\$ -	\$ 44,547	\$ 44,547
Adult Education - Public Aid	-	32,988	32,988
Adult Education - State Performance	-	33,916	33,916
Adult Education - State	-	43,041	43,041
Bus Drivers Training Courses	480	-	480
Early Childhood	899,414	-	899,414
Innovative	-	75	75
Interest	1,095	-	1,095
Lunch - Federal Breakfast	-	1,537	1,537
Lunch - Federal Lunch	-	8,922	8,922
Lunch - State Free and Breakfast	-	517	517
Lunch - State Breakfast Incentive	-	51	51
Purchased Services	325	-	325
Regional Safe Schools	-	74,448	74,448
Reorganization Incentive	6,000	-	6,000
Safe and Drug Free Schools	-	107	107
Staff Development	894	-	894
General State Aid	-	176,200	176,200
Supervisory	3,000	-	3,000
Title II Teacher Quality	-	378	378
TOTAL	\$ 911,208	\$ 416,727	\$ 1,327,935