

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

Financial Audit

For the Year Ended June 30, 2010

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

Kyle E. McGinnis

Certified Public Accountant  
200 East Pine  
Springfield, IL 62704

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

**Officials**

Regional Superintendent  
(current and during the audit period)

Ms. Jean Anderson

Assistant Regional Superintendent  
(current and during the audit period)

Ms. Terri McDowell

Offices are located at:

122 North McLean Street  
Lincoln, IL 62656

Mason County Courthouse  
Havana, IL 62644

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.

**AUDITORS' REPORTS**

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

**SUMMARY OF AUDIT FINDINGS**

<b><u>Number of</u></b>	<b><u>This Audit</u></b>	<b><u>Prior Audit</u></b>
Audit Findings	1	2
Repeated Audit Findings	1	2
Prior recommendations implemented or not repeated	1	0

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

An additional matter which is less than a significant deficiency or material weakness but more than inconsequential, has been reported in a Management Letter of Comments to the Regional Superintendent.

**SUMMARY OF FINDINGS AND RESPONSES**

<b><u>Item No.</u></b>	<b><u>Page</u></b>	<b><u>Description</u></b>	<b><u>Finding Type</u></b>
		Findings ( <i>Government Auditing Standards</i> )	
10-1	12	Internal Control Over Financial Statement Preparation	Material Weakness
		Findings and Responses ( <i>Federal Compliance</i> )	
None			
		Prior Findings Not Repeated ( <i>Government Auditing Standards</i> )	
09-2		Uninsured Deposits in Bank	

FINANCIAL REPORT SUMMARY  
(Continued)

**EXIT CONFERENCE**

In a letter dated July 12, 2011 officials of the Regional Office of Education No. 38 determined that a formal exit conference would not be necessary. Responses to the recommendations were provided by Jean Anderson, Regional Superintendent, in a correspondence dated July 13, 2011.

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

FINANCIAL STATEMENT REPORT SUMMARY

FOR THE YEAR ENDED JUNE 30, 2010

The audit of the accompanying basic financial statements of the Logan/Mason/Menard Counties Regional Office of Education No. 38 was performed by Kyle E. McGinnis, CPA.

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

**KYLE E. McGINNIS**

Certified Public Accountant

**MEMBER OF:**

**AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
ILLINOIS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

**200 EAST PINE \* SPRINGFIELD, ILLINOIS 62704  
TELEPHONE: (217) 753-3377 FAX: (217) 753-8922**

**Independent Auditors' Report**

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Logan, Mason and Menard Counties Regional Office of Education No. 38, as of and for the year ended June 30, 2010, which collectively comprise the Logan, Mason and Menard Counties Regional Office of Education No. 38's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Logan, Mason and Menard Counties Regional Office of Education No. 38's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Logan, Mason and Menard Counties Regional Office of Education No. 38, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 14, 2011 on our consideration of the Logan, Mason and Menard Counties Regional Office of Education No. 38's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 17 through 22 and 46 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Logan, Mason and Menard Counties Regional Office of Education No. 38's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and Schedule of Disbursements to School District Treasurers and 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 nonmajor fund financial statements, budgetary comparison schedules, and 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.



Kyle E. McGinnis, CPA  
Springfield, Illinois

July 14, 2011

**KYLE E. McGINNIS**

Certified Public Accountant

MEMBER OF:

**AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS**

**ILLINOIS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

**200 EAST PINE \* SPRINGFIELD, ILLINOIS 62704**

**TELEPHONE: (217) 753-3377 FAX: (217) 753-8922**

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

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Logan, Mason and Menard Counties Regional Office of Education No. 38, as of and for the year ended June 30, 2010, which collectively comprise the Logan, Mason and Menard Counties Regional Office of Education No. 38's basic financial statements and have issued our report thereon dated July 14, 2011. 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 Logan, Mason and Menard Counties Regional Office of Education No. 38's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Logan, Mason and Menard Counties Regional Office of Education No. 38's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Logan, Mason and Menard Counties Regional Office of Education No. 38's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in finding 10-1 in the accompanying Schedule of Findings and Responses to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Logan, Mason and Menard Counties Regional Office of Education No. 38's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted a certain matter which we have reported to management of the Logan, Mason and Menard Counties Regional Office of Education No. 38 in a separate letter dated July 14, 2011.

The Logan, Mason and Menard Counties Regional Office of Education No. 38's response to the finding identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Logan, Mason and Menard Counties Regional Office of Education No. 38's response and, accordingly, we express no opinion on it.

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



Kyle E. McGinnis, CPA  
Springfield, Illinois

July 14, 2011

SCHEDULE OF FINDINGS

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FOR THE YEAR ENDED JUNE 30, 2010

**Financial Statements**

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

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

**Federal Awards**

Internal control over major programs:

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

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

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

Identification of major programs: N/A

CFDA Number(s) Name of Federal Program or Cluster

N/A

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

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

**LOGAN, MASON, MENARD COUNTIES**  
**REGIONAL OFFICE OF EDUCATION NO. 38**

**SCHEDULE OF FINDINGS AND RESPONSES**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**FOR THE YEAR ENDED JUNE 30, 2010**

**Finding No. 10-1 – Internal Control Over Financial Statement Preparation. (Repeated from Finding 09-1; 08-1; 07-3)**

**Criteria/Specific Requirement:**

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

**Condition:**

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

- Numerous adjustments were required to present financial statements in accordance with GAAP.
- The financial statements did not contain disclosures as required by GAAP.

**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:**

Regional Office officials stated they were aware of their responsibility to properly prepare financial statements in accordance with GAAP and are taking steps to ensure they are prepared on a timely basis.

**LOGAN, MASON, MENARD COUNTIES**  
**REGIONAL OFFICE OF EDUCATION NO. 38**

**SCHEDULE OF FINDINGS AND RESPONSES**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**FOR THE YEAR ENDED JUNE 30, 2010**

**Finding No. 10-1 – Internal Control Over Financial Statement Preparation. (Repeated from Finding 09-1; 08-1; 07-3) Continued**

**Recommendation:**

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

**Agency Response:**

The Agency understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office management is currently confident with the abilities of the accounting staff to prepare cash basis financial information as needed for reporting throughout the year. Management will review year end reporting controls annually and investigate the cost of training staff to reach an appropriate level of expertise to do a comprehensive preparation and/or review of financial statements. Management will pursue additional training when it is considered cost beneficial since training costs would take away from the funds available to provide educational services for the schools in the region.

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

**SCHEDULE OF FINDINGS AND RESPONSES**

**SECTION III – FEDERAL AWARDS FINDINGS**

**FOR THE YEAR ENDED JUNE 30, 2010**

None.

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED JUNE 30, 2010**

**Finding No. 10-1. Internal Control Over Financial Statement Preparation**

**Condition:**

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

- Numerous adjustments were required to present financial statements in accordance with GAAP.
- The financial statements did not contain disclosures as required by GAAP.

**Plan:**

The Agency understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office management is currently confident with the abilities of the accounting staff to prepare cash basis financial information as needed for reporting throughout the year. Management will review year end reporting controls annually and investigate the cost of training staff to reach an appropriate level of expertise to do a comprehensive preparation and/or review of financial statements. Management will pursue additional training when it is considered cost beneficial since training costs would take away from the funds available to provide educational services for the schools in the region.

**Anticipated Date of Completion:**

Ongoing.

**Name of Contact Person:**

Jean Anderson, Regional Superintendent of Schools

**LOGAN, MASON, MENARD COUNTIES –**  
**REGIONAL OFFICE OF EDUCATION No.38**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE YEAR ENDED JUNE 30, 2010**

<b><u>Finding Number</u></b>	<b><u>Condition</u></b>	<b><u>Current Status</u></b>
09-1	Internal Control Over Financial Statement Preparation	Repeated as 10-1
09-2	Uninsured Deposits in Bank	Not Repeated

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2010

The Logan, Mason and Menard Counties Regional Office of Education No. 38 provides this Management’s Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the Agency’s financial statements, which follow.

**2010 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$333,603 in fiscal year 2009 to \$367,155 in fiscal year 2010, and the General Fund expenditures increased from \$326,642 in fiscal year 2009 to \$372,566 in fiscal year 2010. The Logan, Mason and Menard Counties Regional Office of Education No. 38 experienced a decrease in the General Fund’s fund balance from \$46,462 in fiscal year 2009 to \$41,068 in fiscal year 2010.
- The increase in General Fund revenues was attributable to an increase in the recognition of on-behalf payments. The increase in General Fund expenditures was primarily due to an increase in supplies and materials, purchased services and on-behalf payments.
- Education Fund revenues increased from \$97,106 in fiscal year 2009 to \$130,732 in fiscal year 2010, and the Education Fund expenditures decreased from \$97,332 in fiscal year 2009 to \$95,058 in fiscal year 2010. The Education Fund’s fund balance experienced an increase from \$985 in fiscal year 2009 to \$36,672 in fiscal year 2010 due to increase in state sources.

**USING THIS ANNUAL REPORT**

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

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**(Continued)**

**FOR THE YEAR ENDED JUNE 30, 2010**

**REPORTING THE OFFICE AS A WHOLE**

**The Statement of Net Assets and the Statement of Activities**

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

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

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

**Fund Financial Statements**

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

The Agency has two kinds of Fund classifications:

- 1) Governmental funds account for all the Agency’s services. These focus on how cash, and other financial assets that can be readily converted to cash, flow in and out and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Agency’s programs. The Agency’s Governmental Funds include the General Fund and the Special Revenue Funds. The required financial statements for Governmental Funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance.
- 2) Fiduciary Funds account for services for which the Logan, Mason and Menard Counties Regional Office of Education No. 38 acts as a fiscal agent for individuals and private or governmental organizations. The fiduciary funds’ required financial statements include a Statement of Fiduciary Net Assets.

MANAGEMENT’S DISCUSSION AND ANALYSIS  
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

**Fund Financial Statements (Continued)**

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

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of financial position. The Logan, Mason and Menard Counties Regional Office of Education No. 38’s net assets at the end of fiscal year 2010 totaled \$223,637. At the end of fiscal year 2009, the net assets were \$156,780. The analysis that follows provides a summary of the Agency’s net assets at June 30, 2010 and 2009 for governmental activities.

CONDENSED STATEMENT OF NET ASSETS  
June 30, 2010 and 2009

Governmental Activities

	<u>2010</u>	<u>2009</u>
Current Assets	\$ 219,835	\$ 174,639
Capital Assets	<u>25,101</u>	<u>7,071</u>
Total Assets	<u>\$ 244,936</u>	<u>\$ 181,710</u>
Current Liabilities	<u>\$ 21,299</u>	<u>\$ 24,930</u>
Total Liabilities	<u>\$ 21,299</u>	<u>\$ 24,930</u>
Net Asset		
Investment in capital assets, net of related debt	\$ 25,101	\$ 7,071
Unrestricted	144,100	94,471
Restricted for teacher professional development	<u>54,436</u>	<u>55,238</u>
Total Net Assets	<u>\$ 223,637</u>	<u>\$ 156,780</u>

The Logan, Mason and Menard Counties Regional Office of Education No. 38’s net assets increased by \$66,857 from fiscal year 2009 to fiscal year 2010. The increase was primarily due to an increase in State sources and contributed capital assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2010CHANGES IN NET ASSETS

The following analysis shows the changes in net assets for the years ended June 30, 2010 and 2009.

	Governmental Activities		Total	
	2010	2009	2010	2009
Revenues:				
Program revenues:				
Operating grants and contributions	\$ 153,926	\$ 100,960	\$ 153,926	\$ 100,960
General revenues:				
Local sources	142,473	139,343	142,473	139,343
On-behalf payments	248,778	205,480	248,778	205,480
Interest	568	2,096	568	2,096
Contributed capital	19,550		19,550	
Total revenues	<u>\$ 565,295</u>	<u>\$ 447,879</u>	<u>\$ 565,295</u>	<u>\$ 447,879</u>
Expenses:				
Program expenses:				
Salaries and benefits	\$ 173,883	\$ 187,875	\$ 173,883	\$ 187,875
Purchased services	46,663	38,456	46,663	38,456
Supplies and materials	16,675	10,052	16,675	10,052
Other objects	8,267	7,812	8,267	7,812
Depreciation	4,172	6,002	4,172	6,002
Prior year refund		122		122
Administrative expenses:				
On-behalf payments - state	248,778	205,480	248,778	205,480
Total expenses	<u>\$ 498,438</u>	<u>\$ 455,799</u>	<u>\$ 498,438</u>	<u>\$ 455,799</u>
Changes in net assets	\$ 66,857	\$ (7,920)	\$ 66,857	\$ (7,920)
Net assets, beginning of year	156,780	163,534	156,780	163,534
Prior period adjustment		1,166		1,166
Net assets, end of year	<u>\$ 223,637</u>	<u>\$ 156,780</u>	<u>\$ 223,637</u>	<u>\$ 156,780</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

**Governmental Activities**

Revenues for governmental activities were \$565,295 and expenses were \$498,438. In a difficult budget year, the ROE was able to keep expenditures below revenue which resulted in an increase in net assets.

**Financial Analysis of the Logan, Mason and Menard Counties Regional Office of Education No. 38 Funds**

As previously noted, the Logan, Mason and Menard Counties Regional Office of Education No. 38 used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency’s Governmental Funds reported combined fund balances of \$179,202. This is an increase of \$29,493 from last year’s balance of \$149,709. The primary reason for the increase was due to an increase in state sources in the education fund.

**Governmental Fund Highlights**

- County support for the Logan, Mason and Menard Counties Regional Office of Education No. 38 grew by approximately 1% over the last two fiscal years.

**Budgetary Highlights**

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

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

**Capital Assets**

Capital Assets of the Logan, Mason and Menard Counties Regional Office of Education No. 38 include equipment, computers, audio-visual equipment and office furniture. The Logan, Mason and Menard Counties Regional Office of Education No. 38 maintains an inventory of capital assets, which have been accumulated over time. The increase for fiscal year 2010 was \$18,030 a result of equipment being donated. The Logan, Mason and Menard Counties Regional Office of Education No. 38’s capital asset balance for fiscal year 2010 is \$25,101, which is the total original cost of the capital assets less accumulated depreciation. More detailed information about capital assets is available in Note 6 to the financial statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS  
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

**Economic Factors and Next Year’s Budget**

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

- The interest rate on investments remains low and will continue to impact interest earned.
- The Truancy Program funding was decreased 10% from fiscal year 2009. Payments from fiscal year 2010 are still outstanding and fiscal year 2011 funding has been further decreased by an additional 20%.
- The Homeless Program will be less than that provided in fiscal year 2010, which was the same as fiscal year 2009.
- Since the State takes longer to issue money to the Regional Office of Education, it may force the Agency to take out a loan in order to cover some expenses while awaiting funding.
- The rising cost of supplies and personnel is not being met by the proposed funding from the State and local sources.
- Programs are being operated only on funds received, as the Agency cannot afford to obligate or expend funds that may never be received or that may be several months late.

**Contacting the Regional Office’s Financial Management**

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

## **Basic Financial Statements**

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38STATEMENT OF NET ASSETSJUNE 30, 2010

	<u>Primary Government</u>	
	<u>Governmental</u>	
	activities	<u>Total</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 177,882	\$ 177,882
Due from other government agencies	41,953	41,953
Total current assets	\$ 219,835	\$ 219,835
Noncurrent assets:		
Capital assets, being depreciated, net	25,101	25,101
Total assets	<u>\$ 244,936</u>	<u>\$ 244,936</u>
Liabilities:		
Current liabilities		
Excess of outstanding checks over bank balance	\$ 21,299	\$ 21,299
Total liabilities	<u>\$ 21,299</u>	<u>\$ 21,299</u>
Net assets:		
Investment in capital assets, net of related debt	\$ 25,101	\$ 25,101
Unrestricted	144,100	144,100
Restricted for teacher professional development	54,436	54,436
Total net assets	<u>\$ 223,637</u>	<u>\$ 223,637</u>

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

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

STATEMENT OF ACTIVITIESFOR THE YEAR ENDED JUNE 30, 2010

	<u>Expenses</u>	<u>Program revenues Operating grants and contributions</u>	<u>Net (expense)/revenue and changes in net assets</u>	
			<u>Primary government</u>	
			<u>Governmental activities</u>	<u>Total</u>
Functions/programs:				
Governmental activities:				
Instructional services:				
Salaries	\$ 151,567	\$ 107,748	\$ (43,819)	\$ (43,819)
Employee benefits	22,316	15,393	(6,923)	(6,923)
Purchased services	46,663	18,471	(28,192)	(28,192)
Supplies and materials	16,675	7,696	(8,979)	(8,979)
Other objects	8,267	4,618	(3,649)	(3,649)
Depreciation	4,172	-	(4,172)	(4,172)
Administrative:				
On-behalf payments - State	248,778	-	(248,778)	(248,778)
Total governmental activities	<u>\$ 498,438</u>	<u>\$ 153,926</u>	<u>\$ (344,512)</u>	<u>\$ (344,512)</u>
General revenues:				
Contributed capital			\$ 19,550	\$ 19,550
Local sources			142,473	142,473
Interest income			568	568
On-behalf payments - State			248,778	248,778
Total general revenues			<u>\$ 411,369</u>	<u>\$ 411,369</u>
Change in net assets			\$ 66,857	\$ 66,857
Net assets - July 1, 2009			<u>156,780</u>	<u>156,780</u>
Net assets - June 30, 2010			<u>\$ 223,637</u>	<u>\$ 223,637</u>

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

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38BALANCE SHEETGOVERNMENTAL FUNDSJUNE 30, 2010

	<u>General fund</u>	<u>Education fund</u>	<u>Institute fund</u>	<u>G.E.D. fund</u>	<u>Other nonmajor funds</u>	<u>Total governmental funds</u>
Assets:						
Cash and cash equivalents	\$ 40,670	\$ 35,818	\$ 54,368	\$ 28,871	\$ 18,155	\$ 177,882
Due from other government agencies	398	41,487	68	-	-	41,953
Total assets	<u>\$ 41,068</u>	<u>\$ 77,305</u>	<u>\$ 54,436</u>	<u>\$ 28,871</u>	<u>\$ 18,155</u>	<u>\$ 219,835</u>
Liabilities:						
Excess of outstanding checks over bank balance	\$ -	\$ 21,299	\$ -	\$ -	\$ -	\$ 21,299
Deferred revenue	-	19,334	-	-	-	19,334
Total liabilities	<u>\$ -</u>	<u>\$ 40,633</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,633</u>
Fund balances:						
Unreserved, reported in:						
General fund	\$ 41,068	\$ -	\$ -	\$ -	\$ -	\$ 41,068
Special revenue fund	-	36,672	54,436	28,871	18,155	138,134
Total fund balances	<u>\$ 41,068</u>	<u>\$ 36,672</u>	<u>\$ 54,436</u>	<u>\$ 28,871</u>	<u>\$ 18,155</u>	<u>\$ 179,202</u>
Total liabilities and fund balances	<u>\$ 41,068</u>	<u>\$ 77,305</u>	<u>\$ 54,436</u>	<u>\$ 28,871</u>	<u>\$ 18,155</u>	<u>\$ 219,835</u>

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

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETSJUNE 30, 2010

Total fund balances - governmental funds	\$ 179,202
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Some revenues will not be collected for several months after the Regional Office's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.	19,334
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Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	<u>25,101</u>
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Net assets of governmental activities	<u><u>\$ 223,637</u></u>
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The notes to the financial statements are an integral part of this statement.

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

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

## GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

	General fund	Education fund	Institute fund	G.E.D. fund	Other nonmajor funds	Total governmental funds
Revenue						
Federal sources	\$ 6	\$ 11,290	\$ -	\$ -	\$ -	\$ 11,296
State sources	-	119,442	-	-	3,854	123,296
Local sources	118,371	-	11,748	7,163	5,191	142,473
On-behalf payments - State	248,778	-	-	-	-	248,778
Total revenue	\$ 367,155	\$ 130,732	\$ 11,748	\$ 7,163	\$ 9,045	\$ 525,843
Expenditures:						
Salaries	\$ 94,191	\$ 57,376	\$ -	\$ -	\$ -	\$ 151,567
Employee benefits	13,668	8,648	-	-	-	22,316
Purchased services	9,631	19,836	12,817	2,089	2,290	46,663
Supplies and materials	3,536	9,198	209	2,769	963	16,675
Other objects	2,762	-	-	-	5,505	8,267
Capital outlay	-	-	-	2,652	-	2,652
On-behalf payments - State	248,778	-	-	-	-	248,778
Total expenditures	\$ 372,566	\$ 95,058	\$ 13,026	\$ 7,510	\$ 8,758	\$ 496,918
Excess (deficiency) of revenue over (under) expenditures	\$ (5,411)	\$ 35,674	\$ (1,278)	\$ (347)	\$ 287	\$ 28,925
Other financing sources (uses):						
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-	-
Interest	17	13	476	-	62	568
Total other financing sources (uses)	\$ 17	\$ 13	\$ 476	\$ -	\$ 62	\$ 568
Net changes in fund balances	\$ (5,394)	\$ 35,687	\$ (802)	\$ (347)	\$ 349	\$ 29,493
Fund balances - July 1, 2009	46,462	985	55,238	29,218	17,806	149,709
Fund balances - June 30, 2010	\$ 41,068	\$ 36,672	\$ 54,436	\$ 28,871	\$ 18,155	\$ 179,202

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

LOGAN/MASON MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIESGOVERNMENTAL FUNDSFOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances - governmental funds	\$ 29,493
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Amounts reported for governmental activities in the Statement of Activities are different because:

Some revenues will not be collected for several months after the Regional Office's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.	19,334
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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.

Fair market value of contributed assets	19,550
Depreciation expense	(4,172)
Capital assets purchases capitalized	<u>2,652</u>

Change in net assets of governmental activities	<u><u>\$ 66,857</u></u>
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The notes to the financial statements are an integral part of this statement.

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38STATEMENT OF FIDUCIARY NET ASSETSFIDUCIARY FUNDJUNE 30, 2010

	<u>Agency funds</u>
Assets:	
Cash and cash equivalents	<u>\$ 1,872</u>
Total assets	<u><u>\$ 1,872</u></u>
Liabilities:	
Due to other government agencies	<u>\$ 1,872</u>
Total liabilities	<u><u>\$ 1,872</u></u>

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

**1. Organization Description**

The Logan, Mason and Menard Counties Regional Office of Education No. 38 was formed under the provisions of the State of Illinois, Illinois Board of Education.

The Logan, Mason and Menard Counties Regional Office of Education No. 38 implemented GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*; GASB Statement No. 51 *Accounting and Financial Reporting for Intangible Assets*; GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments* and GASB Statement No. 58 *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

The Logan, Mason, and Menard Counties Regional Office of Education No. 38 is an entity that is a result of two Educational Service Regions becoming a Regional Office of Education as of August 1, 1979. The Logan/Mason/Menard Counties Regional Office of Education No. 38 operates under the School Code (105 ILCS 5/3 and 5/3A). The Logan, Mason and Menard Counties Regional Office of Education No. 38 encompasses Logan, Mason, and Menard Counties, Illinois. A Regional Superintendent of Schools serves as Chief Administrative Officer of the Logan, Mason and Menard Counties Regional Office of Education No. 38 and is elected pursuant to 105 ILCS 5/3 and 5/3A of the School Code.

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

**1. Organization Description (Continued)**

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

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

For the period ended June 30, 2010, the Logan, Mason and Menard Counties Regional Office of Education No. 38 applied for, received and administered programs and grants in assistance and support of the educational activities of the school districts of the Logan, Mason and Menard Counties Regional Office of Education No. 38. Such activities are reported as a single major special revenue fund (Education Fund).

**2. Summary of Significant Accounting Policies**

The financial statements of the Logan, Mason and Menard Counties Regional Office of Education No. 38 have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Government Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

**a. Financial Reporting Entity**

The Logan, Mason and Menard Counties Regional Office of Education No. 38's reporting entity includes all related organizations for which the Logan, Mason and Menard Counties Regional Office of Education No. 38 exercises oversight responsibility.

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

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

**2. Summary of Significant Accounting Policies (Continued)**

**a. Financial Reporting Entity (Continued)**

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

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

**b. Basis of Presentation**

Government-wide and Fund Financial Statements

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

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

NOTES TO FINANCIAL STATEMENTS  
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

**2. Summary of Significant Accounting Policies (Continued)**

**b. Basis of Presentation (Continued)**

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

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

Governmental Fund Financial Statements

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

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

**c. Measurement Focus and Basis of Accounting**

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

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

**2. Summary of Significant Accounting Policies (Continued)**

**c. Measurement Focus and Basis of Accounting (Continued)**

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

Revenues are considered available if they are collected within 60 days of the end of the current fiscal year. Revenues received more than 60 days after the end of the current period are deferred in the governmental fund financial statements, but are recognized as current revenues in the government-wide financial statements.

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 Logan, Mason and Menard Counties Regional Office of Education No. 38, therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenue at the time of receipt or earlier if the susceptible to accrual criteria are met.

Under the terms of grant agreements, the Logan, Mason and Menard Counties Regional Office of Education No. 38 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. It is the Logan, Mason and Menard Counties Regional Office of Education No. 38’s policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

**d. Fund Accounting**

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

NOTES TO FINANCIAL STATEMENTS  
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

**2. Summary of Significant Accounting Policies (Continued)**

**d. Fund Accounting (Continued)**

Governmental Funds

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

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

The Logan, Mason and Menard Counties Regional Office of Education No. 38 reports the following major governmental funds:

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

Operating Fund – This fund accounts for all financial support of the Logan, Mason and Menard Counties Regional Office of Education No. 38 and is its primary operating fund.

Indirect Cost Fund – This fund accounts for the indirect costs for the Logan, Mason and Menard Counties Regional Office of Education No. 38.

Land Transfer Fund – The Regional Office of Education is responsible for Land Transfer petition. A person wishing to send their child to another school district can petition the Regional Board of School Trustees to detach their property from one district and annex it to another. The petitioner is required to pay for this process and this account tracks the money that they pay to the office.

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

**2. Summary of Significant Accounting Policies (Continued)**

**d. Fund Accounting (Continued)**

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

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

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

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

Gifted Education – This was a one-time grant from the Illinois State Board of Education. The implementation period from June 2009 through August 31, 2010, allowed Regional Offices of Education to support teacher participation in the gifted education seminar, a 45 hour program designed to prepare teachers to identify and address the academic needs of students in their classrooms through differentiated instructional practices.

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

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

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

Teacher Certification (Institute) Fund – This fund accounts for fees used for teacher in-service workshops or other items pertaining to the teachers in the region.

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

**2. Summary of Significant Accounting Policies (Continued)**

**d. Fund Accounting (Continued)**

The Institute Fund shares a bank account with the Bus Driver Fund.

The Logan, Mason and Menard Counties Regional Office of Education No. 38 reports the following nonmajor governmental funds:

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

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

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

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

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

Fiduciary Funds

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

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

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

**2. Summary of Significant Accounting Policies (Continued)**

**d. Fund Accounting (Continued)**

The Logan, Mason and Menard Counties Regional Office of Education No. 38 has agreements with all districts in the region whereby the Logan, Mason and Menard Counties Regional Office of Education No. 38 is allowed to keep the interest for expenditures benefiting all districts.

**e. Fund Balances and Net Assets**

The Statement of Net Assets includes the following:

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

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

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

**f. Cash and Cash Equivalents**

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

**g. Inventory**

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

**h. Capital Assets**

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

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

**2. Summary of Significant Accounting Policies (Continued)**

**h. Capital Assets (Continued)**

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

**i. Compensated Absences**

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

Employees receive up to 12 sick days annually and the unused portion is accumulated up to 240 days and carried forward. Employee sick leave is recorded when paid. Upon termination, employees do not receive any accumulated sick leave pay and therefore, no liability is accrued.

**j. Estimates**

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

**k. Budget Information**

The Logan, Mason and Menard Counties Regional Office of Education No. 38 acts as the administrative agent for certain grant programs that are accounted for in the General and Education Funds. Certain programs have separate budgets and are required to report to the Illinois State Board of Education; however, none of the budgets have been legally adopted, nor are they required to be. Comparisons of budgeted and actual results are presented as supplemental information for the following: Operating Fund, Truants Alternative/Optional Education Fund, Gifted Education and McKinney Education for Homeless Children.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

**3. Deposits and Investments**

a. Deposits

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

Deposits are subject to custodial credit risk if uninsured and uncollateralized or covered by collateral that is not in the Logan, Mason and Menard Counties Regional Office of Education No. 38's name. It is the Regional Office of Education No 38's policy to require collateral for deposit balances above FDIC Insurance coverage. At June 30, 2010, the carrying amount and bank balance of the Logan, Mason and Menard Counties Regional Office of Education No. 38's Governmental Activities deposits was \$156,583 and \$161,760, respectively. The Agency Fund carrying amount and bank balance was \$1,872 and \$1,849 at June 30, 2010, respectively. The entire bank balance of the Governmental Funds deposits and the Agency Funds deposits was covered by FDIC at June 30, 2010. The deposits are categorized in accordance with risk factors created by governmental reporting standards.

b. Investments

The Logan, Mason and Menard Counties Regional Office of Education No. 38 does not have a formal investment policy. As of June 30, 2010, the Logan, Mason and Menard Counties Regional Office of Education No. 38 did not have investments.

**4. Due to Other Government Agencies**

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

Accumulated Interest Payable	<u>\$ 1,872</u>
------------------------------	-----------------

**5. Due from Other Government Agencies**

The Logan, Mason and Menard Counties Regional Office of Education No. 38's General, Education and Institute Funds have funds due from other government agencies which consisted of the following:

Due from other government agencies

General Fund (Operating)	<u>\$ 398</u>
Education Fund	<u>\$ 41,487</u>
Institute Fund	<u>\$ 68</u>

NOTES TO FINANCIAL STATEMENTS  
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

**6. Capital Assets**

In accordance with GASB Statement No. 34, the Logan, Mason and Menard Counties Regional Office of Education No. 38 has reported capital assets in the government-wide Statement of Net Assets. Purchases are reported as capital outlay in the governmental fund statements. The following table provides a summary of changes in capital assets for the year ended June 30, 2010:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net</u> <u>transfers</u>	<u>Balance</u> <u>June 30, 2010</u>
Governmental activities:					
<u>General Fund</u>					
ROE Operations	\$ 29,250	\$ 19,550	\$ -	\$ -	\$ 48,800
<u>Institute Fund</u>					
Teacher Certificate	2,254	-	-	-	2,254
<u>GED Fund</u>					
GED	1,065	2,652	-	-	3,717
<u>Education Fund</u>					
Truants Alternative/ Optional Education	<u>25,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,626</u>
<u>Governmental Funds</u>					
Total Assets	<u>\$ 58,195</u>	<u>\$ 22,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,397</u>

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2010 of \$4,172 was charged to governmental activities. The following table provides a summary of changes in accumulated depreciation for the year ended June 30, 2010:

NOTES TO FINANCIAL STATEMENTS  
(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

**6. Capital Assets (Continued)**

	<u>Balance</u>		<u>Additions</u>		<u>Deletions</u>		<u>Net</u>		<u>Balance</u>
	<u>July 1, 2009</u>						<u>transfers</u>		<u>June 30, 2010</u>
Governmental activities:									
<u>General Fund</u>									
ROE Operations	\$ 29,250	\$	1,222	\$	-	\$	-	\$	30,472
<u>Institute Fund</u>									
Teacher Certificate	258		282		-		-		540
<u>GED Fund</u>									
GED	44		413		-		-		457
<u>Education Fund</u>									
Truants Alternative/ Optional Education	<u>21,572</u>		<u>2,255</u>		<u>-</u>		<u>-</u>		<u>23,827</u>
<u>Governmental Funds</u>									
Total Accumulated Depreciation	<u>\$ 51,124</u>	\$	<u>4,172</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>55,296</u>

Investment in capital assets is the component of net assets that reports capital assets net of accumulated depreciation. The following table provides a summary of changes in investment in capital assets for the year ended June 30, 2010:

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

**6. Capital Assets (Continued)**

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net</u> <u>transfers</u>	<u>Balance</u> <u>June 30, 2010</u>
Governmental activities:					
<u>General Fund</u>					
ROE Operations \$	-	\$ 19,550	\$ (1,222)	\$ -	\$ 18,328
<u>Institute Fund</u>					
Teacher Certificate	1,996	-	(282)	-	1,714
<u>GED Fund</u>					
GED	1,021	2,652	(413)	-	3,260
<u>Education Fund</u>					
Truants Alternative/ Optional Education	4,054	-	(2,255)	-	1,799
<u>Governmental Funds</u>					
Investment in Capital Assets	<u>\$ 7,071</u>	<u>\$ 22,202</u>	<u>\$ (4,172)</u>	<u>\$ -</u>	<u>\$ 25,101</u>

**7. Pension Plan**

**Plan Description.** The Logan, Mason and Menard Counties Regional Office of Education No. 38's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Logan, Mason and Menard Counties Regional Office of Education No. 38's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publically available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

**Funding Policy.** As set by statute, the Logan, Mason and Menard Counties Regional Office of Education No. 38's Regular plan members are required to contribute 4.5 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2009 was 5.79 percent of annual covered payroll. The Logan, Mason and Menard Counties Regional Office of Education No. 38 also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

**7. Pension Plan (Continued)**

**Annual Pension Cost.** For December 31, 2009, the Logan, Mason and Menard Counties Regional Office of Education No. 38’s annual pension cost of \$9,561 for the Regular plan was equal to the Logan, Mason and Menard Counties Regional Office of Education No. 38’s required and actual contributions.

Three Year Trend Information for Regular Plan

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/09	\$ 9,561	100%	\$0
12/31/08	14,847	100%	0
12/31/07	18,375	100%	0

The required contribution for 2009 was determined as part of the December 31, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the Logan, Mason and Menard Counties Regional Office of Education No. 38’s Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor between the actuarial and market value of assets. The Logan, Mason and Menard Counties Regional Office of Education No. 38’s Regular plan’s overfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2007, valuation was 5 years.

**Funded Status and Funding Progress.** As of December 31, 2009, the most recent actuarial valuation date, the regular plan was 76.52 percent funded. The actuarial accrued liability for benefits was \$669,681 and the actuarial value of assets was \$512,468, resulting in an underfunded actuarial accrued liability (UAAL) of \$157,213. The covered payroll (annual payroll of active employees covered by the plan) was \$165,132 and the ratio of the UAAL to the covered payroll was 95 percent. In conjunction with the December 2009 actuarial valuation the market value of investments was determined using techniques that spread the effect of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 10 year basis.

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

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2010

**8. Risk Management**

The Logan, Mason and Menard Counties Regional Office of Education No. 38 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation and natural disasters. No losses have been incurred in excess of the amounts covered by insurance over the past three years.

**9. On Behalf Payments**

The State of Illinois paid the following salaries and benefits on behalf of the Logan, Mason and Menard Counties Regional Office of Education No. 38:

Regional Superintendent	\$	96,435
Regional Superintendent fringe benefits (including State paid insurance and Teachers Retirement System Contributions)		34,186
Assistant Regional Superintendent		86,791
Assistant Regional Superintendent fringe benefits (including State paid insurance and Teachers Retirement System Contributions)		<u>31,366</u>
Total	\$	<u>248,778</u>

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

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

**10. Transfers.**

There were no transfers in or out for the year ended June 30, 2010.

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

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

ILLINOIS MUNICIPAL RETIREMENT FUND

SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

JUNE 30, 2010

REQUIRED SUPPLEMENTARY INFORMATION

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/2009	\$ 512,468	\$ 669,681	\$ 157,213	76.52%	\$ 165,132	95.20%
12/31/2008	479,994	605,656	125,662	79.25	171,642	73.21
12/31/2007	664,253	647,265	(16,988)	102.62	155,849	0.00

See accompanying Independent Auditors' Report.

## **Supplementary Information**

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

COMBINING SCHEDULE OF ACCOUNTS

GENERAL FUND

JUNE 30, 2010

	<u>Operating fund</u>	<u>Indirect cost fund</u>	<u>Land Transfer Fund</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 36,936	\$ 3,704	\$ 30	\$ 40,670
Due from other government agencies	398	-	-	398
Total assets	<u>\$ 37,334</u>	<u>\$ 3,704</u>	<u>\$ 30</u>	<u>\$ 41,068</u>
Fund balance, unreserved and undesignated	<u>\$ 37,334</u>	<u>\$ 3,704</u>	<u>\$ 30</u>	<u>\$ 41,068</u>
Total liabilities and fund balance	<u>\$ 37,334</u>	<u>\$ 3,704</u>	<u>\$ 30</u>	<u>\$ 41,068</u>

See accompanying Independent Auditors' Report.

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

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

GENERAL FUND ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2010

	Operating fund	Indirect cost fund	Land Transfer fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Revenue:				
Federal sources	\$    6	\$    -	\$    -	\$    6
Local sources	114,821	3,550	-	118,371
On-behalf payments - State	<u>248,778</u>	<u>          -</u>	<u>          -</u>	<u>248,778</u>
 Total revenues	 <u>\$363,605</u>	 <u>\$ 3,550</u>	 <u>\$    -</u>	 <u>\$ 367,155</u>
 Expenditures:				
Salaries	\$ 89,091	\$ 5,100	\$    -	\$ 94,191
Employee benefits	13,278	390	-	13,668
Purchased services	9,599	32	-	9,631
Supplies and materials	3,536	-	-	3,536
Other objects	2,762	-	-	2,762
Administrative:				
On behalf payments - State	<u>248,778</u>	<u>          -</u>	<u>          -</u>	<u>248,778</u>
 Total expenditures	 <u>\$367,044</u>	 <u>\$ 5,522</u>	 <u>\$    -</u>	 <u>\$ 372,566</u>
 Excess/(deficiency) of revenues over/(under) expenditures	 <u>\$ (3,439)</u>	 <u>\$ (1,972)</u>	 <u>\$    -</u>	 <u>\$ (5,411)</u>
 Other financing sources/(uses):				
Interest	<u>\$    17</u>	<u>\$    -</u>	<u>\$    -</u>	<u>\$    17</u>
 Total other financing sources/(uses)	 <u>\$    17</u>	 <u>\$    -</u>	 <u>\$    -</u>	 <u>\$    17</u>
 Net changes in fund balances	 <u>\$ (3,422)</u>	 <u>\$ (1,972)</u>	 <u>\$    -</u>	 <u>\$ (5,394)</u>
 Fund balances - July 1, 2009	 <u>40,756</u>	 <u>5,676</u>	 <u>30</u>	 <u>46,462</u>
 Fund balances - June 30, 2010	 <u><u>\$ 37,334</u></u>	 <u><u>\$ 3,704</u></u>	 <u><u>\$ 30</u></u>	 <u><u>\$ 41,068</u></u>

See accompanying Independent Auditors' Report.

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38BUDGETARY COMPARISON SCHEDULEGENERAL FUND ACCOUNTS - OPERATING FUNDFOR THE YEAR ENDED JUNE 30, 2010

	Budgeted amounts		Actual amounts
	Original	Final	
Revenue:			
Federal sources	\$ -	\$ -	\$ 6
Local sources	122,086	122,086	114,821
On-behalf payments - State	-	-	248,778
Total revenues	<u>\$ 122,086</u>	<u>\$ 122,086</u>	<u>\$ 363,605</u>
Expenditures:			
Salaries	\$ 90,185	\$ 90,185	\$ 89,091
Employee benefits	14,951	14,951	13,278
Purchased services	10,100	10,100	9,599
Supplies and materials	3,550	3,550	3,536
Other objects	3,300	3,300	2,762
Administrative:			
On-behalf payments - State	-	-	248,778
Total expenditures	<u>\$ 122,086</u>	<u>\$ 122,086</u>	<u>\$ 367,044</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,439)</u>
Other financing sources/(uses):			
Interest	\$ -	\$ -	\$ 17
Total other financing sources/(uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17</u>
Net changes in fund balances	\$ -	\$ -	\$ (3,422)
Fund balances - July 1, 2009	-	-	40,756
Fund balances - June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,334</u>

See accompanying Independent Auditors' Report.

SCHEDULE 4

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

COMBINING SCHEDULE OF ACCOUNTS

EDUCATION FUND

JUNE 30, 2010

	Truants Alternative/ Optional Education	McKinney Education for Homeless Children	Gifted Education	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 35,818	\$ 35,818
Due from other government agencies	38,664	2,823	-	41,487
<b>Total assets</b>	<b>\$ 38,664</b>	<b>\$ 2,823</b>	<b>\$ 35,818</b>	<b>\$ 77,305</b>
<b>Liabilities:</b>				
Excess of outstanding checks over bank balance	\$ 19,298	\$ 2,001	\$ -	\$ 21,299
Deferred revenue	19,334	-	-	19,334
<b>Total Liabilities</b>	<b>\$ 38,632</b>	<b>\$ 2,001</b>	<b>\$ -</b>	<b>\$ 40,633</b>
<b>Liabilities and fund balance:</b>				
Fund balance, unreserved	32	822	35,818	36,672
<b>Total liabilities and fund balance</b>	<b>\$ 38,664</b>	<b>\$ 2,823</b>	<b>\$ 35,818</b>	<b>\$ 77,305</b>

See accompanying Independent Auditors' Report.

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCESEDUCATION FUND ACCOUNTSFOR THE YEAR ENDED JUNE 30, 2010

	<u>Truants Alternative/ Optional Education</u>	<u>McKinney Education for Homeless Children</u>	<u>Gifted Education</u>	<u>Total</u>
Revenue:				
Federal sources	\$ -	\$ 11,290	\$ -	\$ 11,290
State sources	57,990	-	61,452	119,442
Total revenues	<u>\$ 57,990</u>	<u>\$ 11,290</u>	<u>\$ 61,452</u>	<u>\$ 130,732</u>
Expenditures				
Salaries	\$ 46,776	\$ 8,300	\$ 2,300	\$ 57,376
Employee benefits	7,007	1,266	375	8,648
Purchased services	4,974	1,041	13,821	19,836
Supplies and materials	36	-	9,162	9,198
Total expenditures	<u>\$ 58,793</u>	<u>\$ 10,607</u>	<u>\$ 25,658</u>	<u>\$ 95,058</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>\$ (803)</u>	<u>\$ 683</u>	<u>\$ 35,794</u>	<u>\$ 35,674</u>
Other financing sources/(uses):				
Interest	\$ (11)	\$ -	\$ 24	\$ 13
Total other financing sources/(uses)	<u>\$ (11)</u>	<u>\$ -</u>	<u>\$ 24</u>	<u>\$ 13</u>
Net changes in fund balances	\$ (814)	\$ 683	\$ 35,818	\$ 35,687
Fund balances - July 1, 2009	<u>846</u>	<u>139</u>	<u>-</u>	<u>985</u>
Fund balances - June 30, 2010	<u>\$ 32</u>	<u>\$ 822</u>	<u>\$ 35,818</u>	<u>\$ 36,672</u>

See accompanying Independent Auditors' Report.

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38BUDGETARY COMPARISON SCHEDULEEDUCATION FUND ACCOUNTS - TRUANTS ALTERNATIVE/OPTIONAL EDUCATIONFOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>amounts</u>
Revenue:			
State sources	<u>\$ 77,324</u>	<u>\$ 77,324</u>	<u>\$ 57,990</u>
Total revenues	<u>\$ 77,324</u>	<u>\$ 77,324</u>	<u>\$ 57,990</u>
Expenditures:			
Salaries	\$ 59,076	\$ 59,076	\$ 46,776
Employee benefits	9,630	9,014	7,007
Purchased services	8,010	8,875	4,974
Supplies and materials	<u>608</u>	<u>359</u>	<u>36</u>
Total expenditures	<u>\$ 77,324</u>	<u>\$ 77,324</u>	<u>\$ 58,793</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (803)</u>
Other financing sources/(uses):			
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11)</u>
Total other financing sources/(uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (814)</u>
Fund balances - July 1, 2009	<u>-</u>	<u>-</u>	<u>846</u>
Fund balances - June 30, 2010	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 32</u></u>

See accompanying Independent Auditors' Report.

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38BUDGETARY COMPARISON SCHEDULEEDUCATION FUND ACCOUNTS - MCKINNEY EDUCATION FOR HOMELESS CHILDRENFOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted amounts</u>		<u>Actual amounts</u>
	<u>Original</u>	<u>Final</u>	
Revenue:			
Federal sources	<u>\$ 11,290</u>	<u>\$ 11,290</u>	<u>\$ 11,290</u>
Total revenues	<u>\$ 11,290</u>	<u>\$ 11,290</u>	<u>\$ 11,290</u>
Expenditures:			
Salaries	\$ 8,300	\$ 8,300	\$ 8,300
Employee benefits	1,270	1,270	1,266
Purchased services	1,610	1,210	1,041
Supplies and materials	110	510	-
Total expenditures	<u>\$ 11,290</u>	<u>\$ 11,290</u>	<u>\$ 10,607</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 683</u>
Net changes in fund balances	\$ -	\$ -	\$ 683
Fund balances - July 1, 2009	<u>-</u>	<u>-</u>	<u>139</u>
Fund balances - June 30, 2010	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 822</u></u>

See accompanying Independent Auditors' Report.

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

BUDGETARY COMPARISON SCHEDULEEDUCATION FUND ACCOUNTS - GIFTED EDUCATIONFOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>amounts</u>
Revenue:			
State sources	\$ 61,452	\$ 61,452	\$ 61,452
Total revenues	\$ 61,452	\$ 61,452	\$ 61,452
Expenditures:			
Salaries	\$ 8,300	\$ 8,300	\$ 2,300
Employee benefits	1,291	449	375
Purchased services	19,705	17,777	13,821
Supplies and materials	32,156	34,926	9,162
Total expenditures	\$ 61,452	\$ 61,452	\$ 25,658
Excess/(deficiency) of revenues over/(under) expenditures	\$ -	\$ -	\$ 35,794
Other financing sources/(uses):			
Interest	\$ -	\$ -	\$ 24
Total other financing sources/(uses)	\$ -	\$ -	\$ 24
Net changes in fund balances	\$ -	\$ -	\$ 35,818
Fund balances - July 1, 2009	-	-	-
Fund balances - June 30, 2010	\$ -	\$ -	\$ 35,818

See accompanying Independent Auditors' Report.

SCHEDULE 9

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

COMBINING SCHEDULE OF ACCOUNTS

INSTITUTE FUND

JUNE 30, 2010

	Teacher Certification	Total
Assets:		
Cash and cash equivalents	\$ 54,368	\$ 54,368
Due from other government agencies	68	68
Total Assets	\$ 54,436	\$ 54,436
Fund balance	\$ 54,436	\$ 54,436
Total liabilities and fund balance	\$ 54,436	\$ 54,436

See accompanying Independent Auditors' Report.

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCESINSTITUTE FUND ACCOUNTSFOR THE YEAR ENDED JUNE 30, 2010

	<u>Teacher Certification</u>	<u>Total</u>
Revenue:		
Local sources	\$ 11,748	\$ 11,748
Total revenues	<u>\$ 11,748</u>	<u>\$ 11,748</u>
Expenditures:		
Purchased services	\$ 12,817	\$ 12,817
Supplies and materials	209	209
Capital outlay	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 13,026</u>	<u>\$ 13,026</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>\$ (1,278)</u>	<u>\$ (1,278)</u>
Other financing sources/(uses):		
Transfers in	\$ -	\$ -
Transfers out	-	-
Interest	<u>476</u>	<u>476</u>
Total other financing sources/(uses)	<u>\$ 476</u>	<u>\$ 476</u>
Net changes in fund balances	\$ (802)	\$ (802)
Fund balances - July 1, 2009	<u>55,238</u>	<u>55,238</u>
Fund balances - June 30, 2010	<u><u>\$ 54,436</u></u>	<u><u>\$ 54,436</u></u>

See accompanying Independent Auditors' Report.

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

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2010

	<u>Supervisory fund</u>	<u>Media materials fund</u>	<u>Bus driver fund</u>	<u>Substitute teacher fingerprinting</u>	<u>Total</u>
Assets:					
Cash and cash equivalents	<u>\$ 5,886</u>	<u>\$ 9,429</u>	<u>\$ 1,611</u>	<u>\$ 1,229</u>	<u>\$ 18,155</u>
Total assets	<u><u>\$ 5,886</u></u>	<u><u>\$ 9,429</u></u>	<u><u>\$ 1,611</u></u>	<u><u>\$ 1,229</u></u>	<u><u>\$ 18,155</u></u>
Liabilities and fund balance:					
Fund balance, unreserved	<u>\$ 5,886</u>	<u>\$ 9,429</u>	<u>\$ 1,611</u>	<u>\$ 1,229</u>	<u>\$ 18,155</u>
Total liabilities and fund balance	<u><u>\$ 5,886</u></u>	<u><u>\$ 9,429</u></u>	<u><u>\$ 1,611</u></u>	<u><u>\$ 1,229</u></u>	<u><u>\$ 18,155</u></u>

See accompanying Independent Auditors' Report.

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCESNONMAJOR SPECIAL REVENUE FUNDSFOR THE YEAR ENDED JUNE 30, 2010

	<u>Supervisory fund</u>	<u>Media materials fund</u>	<u>Bus driver fund</u>	<u>Substitute teacher fingerprinting</u>	<u>Total</u>
Revenue:					
State sources	\$ 3,000	\$ -	\$ 854	\$ -	\$ 3,854
Local sources	-	-	1,024	4,167	5,191
Total revenues	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 1,878</u>	<u>\$ 4,167</u>	<u>\$ 9,045</u>
Expenditures:					
Purchased services	\$ 383	\$ -	\$ 1,907	\$ -	\$ 2,290
Supplies and materials	-	939	-	24	963
Other objects	2,000	-	-	3,505	5,505
Total expenditures	<u>\$ 2,383</u>	<u>\$ 939</u>	<u>\$ 1,907</u>	<u>\$ 3,529</u>	<u>\$ 8,758</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>\$ 617</u>	<u>\$ (939)</u>	<u>\$ (29)</u>	<u>\$ 638</u>	<u>\$ 287</u>
Other financing sources/(uses):					
Interest	3	59	-	-	62
Total other financing sources/(uses)	<u>\$ 3</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62</u>
Net changes in fund balances	\$ 620	\$ (880)	\$ (29)	\$ 638	\$ 349
Fund balances - July 1, 2009	<u>5,266</u>	<u>10,309</u>	<u>1,640</u>	<u>591</u>	<u>17,806</u>
Fund balances - June 30, 2010	<u><u>\$ 5,886</u></u>	<u><u>\$ 9,429</u></u>	<u><u>\$ 1,611</u></u>	<u><u>\$ 1,229</u></u>	<u><u>\$ 18,155</u></u>

See accompanying Independent Auditors' Report.

SCHEDULE 13

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

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

AGENCY FUNDS

JUNE 30, 2010

	<u>Distributive fund</u>	<u>Total</u>
Assets:		
Cash and cash equivalents	<u>\$ 1,872</u>	<u>\$ 1,872</u>
Total assets	<u>\$ 1,872</u>	<u>\$ 1,872</u>
Liabilities:		
Due to other government agencies	<u>\$ 1,872</u>	<u>\$ 1,872</u>
Total liabilities	<u>\$ 1,872</u>	<u>\$ 1,872</u>

See accompanying Independent Auditors' Report.

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIESAGENCY FUNDSFOR THE YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
Distributive fund:				
Assets:				
Cash and cash equivalents	\$ 34,479	\$ 552,488	\$ 585,095	\$ 1,872
Total assets	<u>\$ 34,479</u>	<u>\$ 552,488</u>	<u>\$ 585,095</u>	<u>\$ 1,872</u>
Liabilities:				
Due to other government agencies	\$ 34,479	\$ 552,488	\$ 585,095	\$ 1,872
Total liabilities	<u>\$ 34,479</u>	<u>\$ 552,488</u>	<u>\$ 585,095</u>	<u>\$ 1,872</u>
Total all agency funds:				
Assets:				
Cash and cash equivalents	\$ 34,479	\$ 552,488	\$ 585,095	\$ 1,872
Total assets	<u>\$ 34,479</u>	<u>\$ 552,488</u>	<u>\$ 585,095</u>	<u>\$ 1,872</u>
Liabilities:				
Due to other government agencies	\$ 34,479	\$ 552,488	\$ 585,095	\$ 1,872
Total liabilities	<u>\$ 34,479</u>	<u>\$ 552,488</u>	<u>\$ 585,095</u>	<u>\$ 1,872</u>

See accompanying Independent Auditors' Report.

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

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS  
AND OTHER ENTITIES

DISTRIBUTIVE FUND

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Regional Superintendent of Schools</u>	<u>Regional Vocational Delivery System</u>	<u>Salt Creek Academy</u>	<u>Mid-Illini Education Co.</u>	<u>Total</u>
General State Aid	\$ -	\$ -	\$ 129,317	\$ -	\$ 129,317
Rural Education Achievement Program (REAP)	6	-	19,664	-	19,670
CTE - Perkins - Secondary	-	66,348	-	-	66,348
Agriculture Education	-	22,857	-	-	22,857
Career and Technical Ed Improvement (CTEI)	-	90,000	-	-	90,000
Truants Alternative/Optional Education	64,436	-	-	-	64,436
Regional Safe Schools	-	-	91,886	-	91,886
Supervisory Expense	3,000	-	-	-	3,000
ROE School Bus Driver Training	854	-	-	-	854
Title I - Reading First Part B SEA Funds	-	-	-	6,538	6,538
Gifted Education	61,452	-	-	-	61,452
ARRA - General State Aid - Education SF&F	-	-	21,553	-	21,553
ARRA - General State Aid - Government SF&F	-	-	7,184	-	7,184
Totals	<u>\$ 129,748</u>	<u>\$ 179,205</u>	<u>\$ 269,604</u>	<u>\$ 6,538</u>	<u>\$ 585,095</u>

See accompanying Independent Auditors' Report.