

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

Financial Audit

For the Year Ended June 30, 2011

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

Kyle E. McGinnis

Certified Public Accountant
200 East Pine
Springfield, IL 62704

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

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

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

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

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

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

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. In prior years, these issues may have been included as immaterial findings in the auditors' reports.

SUMMARY OF FINDINGS AND RESPONSES

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
		Findings (<i>Government Auditing Standards</i>)	
11-1	10	Internal Control Over Financial Statement Preparation	Material Weakness

Findings and Responses (*Federal Compliance*)

None

Prior Findings Not Repeated (*Government Auditing Standards*)

None

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

FINANCIAL REPORT SUMMARY
(Continued)

EXIT CONFERENCE

In correspondence dated April 26, 2012 the officials of the Logan/Mason/Menard Counties 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 of Schools, in a correspondence dated May 10, 2012.

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

FINANCIAL STATEMENT REPORT SUMMARY

FOR THE YEAR ENDED JUNE 30, 2011

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
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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, 2011, 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, 2011, 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.

The Regional Office of Education #38 adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended June 30, 2011. The statement changed the classifications of governmental fund balances and clarified the definitions of existing fund types. The adoption of this statement had no effect on any of the Regional Office of Education #38's governmental funds' assets or liabilities nor was there any effect to the total amount of any of the Regional Office of Education #38's governmental fund balances as of and for the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 16, 2012 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 15 through 21 and 44 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

May 16, 2012

KYLE E. McGINNIS

Certified Public Accountant

MEMBER OF:

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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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, 2011, 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 May 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Logan, Mason and Menard Counties Regional Office of Education No. 38 is responsible for establishing and maintaining effective 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 certain 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 11-1 in the accompanying Schedule of Findings and Responses to be a material weakness.

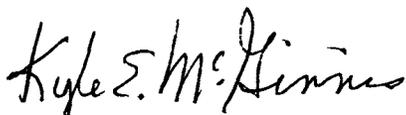
Compliance and Other Matters

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 May 16, 2012.

The Logan, Mason and Menard Counties Regional Office of Education No. 38's response to the finding identified in our audit is 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, and Illinois State Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.



Kyle E. McGinnis, CPA
Springfield, Illinois

May 16, 2012

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

SCHEDULE OF FINDINGS AND RESPONSES

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FOR THE YEAR ENDED JUNE 30, 2011

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no N/A
- Significant deficiency (ies) identified? 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, 2011

Finding No. 11-1 – Internal Control Over Financial Statement Preparation. (Repeated from Finding 10-1; 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 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, 2011

Finding No. 11-1 – Internal Control Over Financial Statement Preparation. (Repeated from Finding 10-1; 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 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 Logan, Mason and Menard Counties Regional Office of Education No. 38 understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. Logan, Mason and Menard Counties Regional Office of Education No. 38 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, 2011

None.

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

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2011

Finding No. 11-1. 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, 2011

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
10-1	Internal Control Over Financial Statement Preparation	Repeated as 11-1

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

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, 2011. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

During fiscal year 2011 the Logan, Mason and Menard Counties Regional Office of Education No. 38 implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which required certain programs and funds to be reclassified and the restatement of beginning fund balances as detailed in Note 2 to the financial statements. Because of these reclassifications the fund analysis is not comparable between fiscal year 2010 and fiscal year 2011.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$367,155 in fiscal year 2010 to \$383,502 in fiscal year 2011, and the General Fund expenditures increased from \$372,566 in fiscal year 2010 to \$384,204 in fiscal year 2011. The Logan, Mason and Menard Counties Regional Office of Education No. 38 experienced an increase in the General Fund's fund balance from \$41,068 in fiscal year 2010 to \$51,100 in fiscal year 2011.
- 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 salaries, employee benefits, and on-behalf payments.
- Education Fund revenues decreased from \$130,732 in fiscal year 2010 to \$83,511 in fiscal year 2011, and the Education Fund expenditures increased from \$95,058 in fiscal year 2010 to \$102,770 in fiscal year 2011. The Education Fund's fund balance experienced a decrease from \$36,672 in fiscal year 2010 to \$17,414 in fiscal year 2011 due to decrease 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2011

USING THIS ANNUAL REPORT CONTINUED

- 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.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2011

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.

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 2011 totaled \$194,854. At the end of fiscal year 2010, the net assets were \$223,637. The analysis that follows provides a summary of the Agency's net assets at June 30, 2011 and 2010 for governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2011

CONDENSED STATEMENT OF NET ASSETS

June 30, 2011 and 2010

Governmental Activities

	<u>2011</u>	<u>2010</u>
Current Assets	\$ 202,088	\$ 219,835
Capital Assets	<u>22,274</u>	<u>25,101</u>
Total Assets	\$ <u>224,362</u>	\$ <u>244,936</u>
Current Liabilities	\$ <u>29,508</u>	\$ <u>21,299</u>
Total Liabilities	\$ <u>29,508</u>	\$ <u>21,299</u>
Net Asset		
Investment in capital assets, net of related debt	\$ 22,274	\$ 25,101
Unrestricted	51,100	144,100
Restricted for educational purposes	<u>121,480</u>	<u>54,436</u>
Total Net Assets	\$ <u>194,854</u>	\$ <u>223,637</u>

The Logan, Mason and Menard Counties Regional Office of Education No. 38's net assets decreased by \$28,783 from fiscal year 2010 to fiscal year 2011. The decrease was primarily due to a decrease in State sources.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2011

CHANGES IN NET ASSETS

The following analysis shows the changes in net assets for the years ended June 30, 2011 and 2010.

	<u>Governmental Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:				
Program revenues:				
Operating grants and contributions	\$ 74,227	\$ 153,926	\$ 74,227	\$ 153,926
General revenues:				
Local sources	146,537	142,473	146,537	142,473
On-behalf payments	254,588	248,778	254,588	248,778
Interest	265	568	265	568
Contributed capital	-	19,550	-	19,550
Total revenues	<u>\$ 475,617</u>	<u>\$ 565,295</u>	<u>\$ 475,617</u>	<u>\$ 565,295</u>
Expenses:				
Program expenses:				
Salaries and benefits	\$ 168,194	\$ 173,883	\$ 168,194	\$ 173,883
Purchased services	32,774	46,663	32,774	46,663
Supplies and materials	22,901	16,675	22,901	16,675
Other objects	6,263	8,267	6,263	8,267
Depreciation	3,447	4,172	3,447	4,172
Payments to other governments	15,960	-	15,960	-
Removal of fixed assets	273	-	273	-
Administrative expenses:				
On-behalf payments - state	254,588	248,778	254,588	248,778
Total expenses	<u>\$ 504,400</u>	<u>\$ 498,438</u>	<u>\$ 504,400</u>	<u>\$ 498,438</u>
Changes in net assets	\$ (28,783)	\$ 66,857	\$ (28,783)	\$ 66,857
Net assets, beginning of year	<u>223,637</u>	<u>156,780</u>	<u>223,637</u>	<u>156,780</u>
Net assets, end of year	<u><u>\$ 194,854</u></u>	<u><u>\$ 223,637</u></u>	<u><u>\$ 194,854</u></u>	<u><u>\$ 223,637</u></u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2011

Governmental Activities

Revenues for governmental activities were \$475,617 and expenses were \$504,400. In a difficult budget year, the ROE was unable to keep expenditures below revenue which resulted in a decrease 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 \$163,384. This is a decrease of \$15,818 from last year's balance of \$179,202. The primary reason for the decrease was due to a decrease 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 Logan, Mason and Menard Counties Regional Office of Education No. 38's capital asset balance for fiscal year 2011 is \$22,274, 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2011

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.
- Payments from fiscal year 2011 are still outstanding and fiscal year 2011 funding has been further decreased by an additional 20%. The Agency did not receive a Truancy Grant for fiscal year 2012. They are currently trying to obtain minimal funding from the districts under their supervision in order to maintain a basic program for this year.
- The Homeless Program was the same in fiscal year 2011, however the grant award should have not been announced for the 2011/2012 school year.
- 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.
- School services funding was vetoed by the Governor in the States fiscal year 2012 budget.
- Supervisory money, although statutory, was not provided in fiscal year 2011 and it is unavailable to Agencies in fiscal year 2012 as well.

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.

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

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Primary Government	
	Governmental activities	Total
Assets:		
Current assets:		
Cash and cash equivalents	\$ 146,739	\$ 146,739
Due from other government agencies	55,349	55,349
	\$ 202,088	\$ 202,088
Total current assets		
Noncurrent assets:		
Capital assets, being depreciated, net	22,274	22,274
	\$ 224,362	\$ 224,362
Total assets		
Liabilities:		
Current liabilities		
Excess of outstanding checks over bank balance	\$ 29,508	\$ 29,508
	\$ 29,508	\$ 29,508
Total liabilities		
Net assets:		
Investment in capital assets, net of related debt	\$ 22,274	\$ 22,274
Unrestricted	51,100	51,100
Restricted for educational purposes	121,480	121,480
	\$ 194,854	\$ 194,854
Total net assets		

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 ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	<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</u>	<u>Total</u>
			<u>activities</u>	
Functions/programs:				
Governmental activities:				
Instructional services:				
Salaries	\$ 144,330	\$ 51,959	\$ (92,371)	\$ (92,371)
Employee benefits	23,864	7,423	(16,441)	(16,441)
Purchased services	32,774	8,907	(23,867)	(23,867)
Supplies and materials	22,901	3,711	(19,190)	(19,190)
Other objects	6,263	2,227	(4,036)	(4,036)
Payments to other governments	15,960	-	(15,960)	(15,960)
Removal of fixed assets	273	-	(273)	(273)
Depreciation	3,447	-	(3,447)	(3,447)
Administrative:				
On-behalf payments - State	254,588	-	(254,588)	(254,588)
Total governmental activities	<u>\$ 504,400</u>	<u>\$ 74,227</u>	<u>\$ (430,173)</u>	<u>\$ (430,173)</u>
General revenues:				
Local sources			\$ 146,537	\$ 146,537
Interest income			265	265
On-behalf payments - State			254,588	254,588
Total general revenues			<u>\$ 401,390</u>	<u>\$ 401,390</u>
Change in net assets			\$ (28,783)	\$ (28,783)
Net assets - July 1, 2010			<u>223,637</u>	<u>223,637</u>
Net assets - June 30, 2011			<u>\$ 194,854</u>	<u>\$ 194,854</u>

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

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

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2011

	<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	\$ 50,999	\$ 938	\$ 54,771	\$ 32,151	\$ 7,880	\$ 146,739
Due from other government agencies	101	55,180	68	-	-	55,349
Total assets	<u>\$ 51,100</u>	<u>\$ 56,118</u>	<u>\$ 54,839</u>	<u>\$ 32,151</u>	<u>\$ 7,880</u>	<u>\$ 202,088</u>
Liabilities:						
Excess of outstanding checks over bank balance	\$ -	\$ 29,508	\$ -	\$ -	\$ -	\$ 29,508
Deferred revenue	-	9,196	-	-	-	9,196
Total liabilities	<u>\$ -</u>	<u>\$ 38,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,704</u>
Fund balances:						
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	17,414	54,839	32,151	7,880	112,284
Committed	-	-	-	-	-	-
Assigned	10,151	-	-	-	-	10,151
Unassigned	40,949	-	-	-	-	40,949
Total fund balances	<u>\$ 51,100</u>	<u>\$ 17,414</u>	<u>\$ 54,839</u>	<u>\$ 32,151</u>	<u>\$ 7,880</u>	<u>\$ 163,384</u>
Total liabilities and fund balances	<u>\$ 51,100</u>	<u>\$ 56,118</u>	<u>\$ 54,839</u>	<u>\$ 32,151</u>	<u>\$ 7,880</u>	<u>\$ 202,088</u>

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

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2011

Total fund balances - governmental funds	\$	163,384
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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.		9,196
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Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		22,274
		22,274

Net assets of governmental activities	\$	194,854
		194,854

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, 2011

	General fund	Education fund	Institute fund	G.E.D. fund	Other nonmajor funds	Total governmental funds
Revenue						
Federal sources	\$ -	\$ 11,290	\$ -	\$ -	\$ -	\$ 11,290
State sources	-	72,221	-	-	854	73,075
Local sources	128,914	-	9,260	6,637	1,726	146,537
On-behalf payments - State	254,588	-	-	-	-	254,588
Total revenue	<u>\$ 383,502</u>	<u>\$ 83,511</u>	<u>\$ 9,260</u>	<u>\$ 6,637</u>	<u>\$ 2,580</u>	<u>\$ 485,490</u>
Expenditures:						
Salaries	\$ 96,462	\$ 47,868	\$ -	\$ -	\$ -	\$ 144,330
Employee benefits	15,742	8,122	-	-	-	23,864
Purchased services	9,442	10,851	8,777	1,735	1,969	32,774
Supplies and materials	1,939	19,076	264	1,622	-	22,901
Other objects	6,031	-	-	-	232	6,263
Capital outlay	-	893	-	-	-	893
Payments to other governments	-	15,960	-	-	-	15,960
On-behalf payments - State	254,588	-	-	-	-	254,588
Total expenditures	<u>\$ 384,204</u>	<u>\$ 102,770</u>	<u>\$ 9,041</u>	<u>\$ 3,357</u>	<u>\$ 2,201</u>	<u>\$ 501,573</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ (702)</u>	<u>\$ (19,259)</u>	<u>\$ 219</u>	<u>\$ 3,280</u>	<u>\$ 379</u>	<u>\$ (16,083)</u>
Other financing sources (uses):						
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-	-
Interest	76	1	184	-	4	265
Total other financing sources (uses)	<u>\$ 76</u>	<u>\$ 1</u>	<u>\$ 184</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 265</u>
Net changes in fund balances	<u>\$ (626)</u>	<u>\$ (19,258)</u>	<u>\$ 403</u>	<u>\$ 3,280</u>	<u>\$ 383</u>	<u>\$ (15,818)</u>
Fund balances - July 1, 2010	<u>51,726</u>	<u>36,672</u>	<u>54,436</u>	<u>28,871</u>	<u>7,497</u>	<u>179,202</u>
Fund balances - June 30, 2011	<u>\$ 51,100</u>	<u>\$ 17,414</u>	<u>\$ 54,839</u>	<u>\$ 32,151</u>	<u>\$ 7,880</u>	<u>\$ 163,384</u>

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

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

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

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - governmental funds	\$	(15,818)
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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.		(10,138)
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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 assets donated to various schools		(273)
Depreciation expense		(3,447)
Capital assets purchases capitalized		893
		893

Change in net assets of governmental activities	\$	(28,783)
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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 FIDUCIARY NET ASSETS

FIDUCIARY FUND

JUNE 30, 2011

	<u>Agency funds</u>
Assets:	
Cash and cash equivalents	\$ 1,878
Total assets	\$ 1,878
Liabilities:	
Due to other government agencies	\$ 1,878
Total liabilities	\$ 1,878

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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.

In 2011, the Logan, Mason and Menard Counties Regional Office of Education No. 38 implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, GASB Statement No. 59 *Financial Omnibus*, and GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The ROE implemented these standards during the current year; however, GASB Statements No. 59 and 62 had no impact on the financial statements. The implementation of GASB Statement No. 54 changed fund balance reporting for governmental funds by adding some additional fund balance classifications, clarifying governmental fund type definitions, and providing additional disclosures on how fund balance constraints are imposed and may be modified or eliminated.

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.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2011

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, 2011, 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.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2011

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 focus 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.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2011

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.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2011

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 funding 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 restricted funds, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned if any.

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.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2011

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 all financial resources 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.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2011

2. Summary of Significant Accounting Policies (Continued)

d. Fund Accounting (Continued)

Governmental Funds (Continued)

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

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

Major Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by grant agreements to expenditures for specified purposes supporting education enhancement programs as follows:

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.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2011

2. Summary of Significant Accounting Policies (Continued)

d. Fund Accounting (Continued)

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.

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 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.

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2011

2. Summary of Significant Accounting Policies (Continued)

d. Fund Accounting (Continued)

Fiduciary Funds (Continued)

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.

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. Net Assets

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

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 – consists of net assets with constraints placed on their use either by (1) grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

Unrestricted – all other net assets that do not meet the definition of “restricted” or “invested in capital assets”.

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.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2011

2. Summary of Significant Accounting Policies (Continued)

h. Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more and estimated useful lives of greater than 5 years 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:

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 23 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.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2011

I. Governmental Fund Balances

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

Restricted Fund Balance – the portion of a Governmental Fund’s net assets that are subject to external enforceable legal restrictions. The following accounts fund balances are restricted by grant agreements or contracts: Gifted education, Truants Alternative/Optional Education, and McKinney Education for Homeless Children. The following funds are restricted by Illinois Statue: Institute, Supervisory Fund, Bus Driver Fund and G.E.D. Fund.

Assigned Fund Balance – the portion of a Governmental Fund’s net assets to denote an intended use of resources. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The following accounts comprise assigned fund balance; Fingerprinting, Media Materials and Land Transfer Fund.

Unassigned Fund Balance – available expendable financial resources in a governmental fund that are not designated for a specific purpose. The unassigned fund balance is made up of the General Operating Fund and the Indirect Cost Fund.

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, 2011, the carrying amount and bank balance of the Logan, Mason and Menard Counties Regional Office of Education No. 38’s Governmental Activities deposits was \$117,231 and \$132,470, respectively. The Agency Fund carrying amount and bank balance was \$1,878 and \$1,878 at June 30, 2011, respectively. The entire bank balance of the Governmental Activities deposits and the Agency Funds deposits was covered by FDIC at June 30, 2011. 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, 2011, the Logan, Mason and Menard Counties Regional Office of Education No. 38 did not have investments.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2011

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 \$ 1,878

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>\$ 101</u>
Education Fund	<u>\$ 55,180</u>
Institute Fund	<u>\$ 68</u>

6. Capital Assets

A summary of capital assets follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities				
<i>Capital assets being depreciated:</i>				
Office Furniture and Equipment	<u>\$ 80,397</u>	<u>\$ 893</u>	<u>\$ (20,700)</u>	<u>\$ 60,590</u>
Total capital assets	<u>\$ 80,397</u>	<u>\$ 893</u>	<u>\$ (20,700)</u>	<u>\$ 60,590</u>
Less accumulated depreciation for:				
Office Furniture and Equipment	<u>\$ 55,296</u>	<u>\$ 3,447</u>	<u>\$ (20,427)</u>	<u>\$ 38,316</u>
Total accumulated depreciation	<u>\$ 55,296</u>	<u>\$ 3,447</u>	<u>\$ (20,427)</u>	<u>\$ 38,316</u>
Governmental activity capital assets, net	<u><u>\$ 25,101</u></u>	<u><u>\$ (2,554)</u></u>	<u><u>\$ (273)</u></u>	<u><u>\$ 22,274</u></u>

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2011

6. Capital Assets (Continued)

Depreciation policies are disclosed in note 2. Depreciation expense for the fiscal year ended June 30, 2011 was \$3,447.

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 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.

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 2010 used by Logan, Mason and Menard Counties Regional Office of Education No. 38 annual required contribution rate for calendar year 2010 was 17.68 percent. 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.

Annual Pension Cost. For calendar year ending December 31, 2010, the Logan, Mason and Menard Counties Regional Office of Education No. 38's actual contributions for pension cost for the Regular plan were \$12,419. Its required contribution for calendar year 2010 was \$25,325.

Three Year Trend Information for Regular Plan

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/10	\$ 25,325	49%	\$0
12/31/09	9,561	100%	0
12/31/08	14,847	100%	0

The required contribution for 2010 was determined as part of the December 31, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses),

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2011

7. Pension Plan (Continued)

(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 20% 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 unfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on an open 10 year basis.

Funded Status and Funding Progress. As of December 31, 2010, the most recent actuarial valuation date, the regular plan was 75.38 percent funded. The actuarial accrued liability for benefits was \$736,865 and the actuarial value of assets was \$555,463, resulting in an underfunded actuarial accrued liability (UAAL) of \$181,402. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$143,241 and the ratio of the UAAL to the covered payroll was 127 percent.

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

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 (includes State paid insurance)		17,317
Assistant Regional Superintendent		86,791
Assistant Regional Superintendent fringe benefits (includes State paid insurance)		11,719
Teachers Retirement System Contributions		42,326
Total	\$	<u>254,588</u>

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2011

9. On-Behalf Payments (Continued)

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, 2011.

11. Subsequent Event

Management has evaluated subsequent events through May 16, 2012, the date which the financial statements were available for issue.

12. Other Postemployment Benefits

The Regional Office of Education No. 38 has evaluated its potential other post employment benefits liability. Former employees who choose to retain their rights to health insurance through the Regional Office of Education No. 38 are required to pay 100% of the current premium. However, no former employees have chosen to stay in the Regional Office of Education No. 38's health insurance plan. Therefore, there has been zero percent utilization and therefore no implicit subsidy to calculate in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. Additionally, the Regional Office of Education No. 38 had no former employees for which the Regional Office of Education No. 38 was providing an explicit subsidy and no current employees with agreements for future explicit subsidies upon retirement. Therefore, the Regional Office of Education No. 38 has not recorded any post employment benefit liability as of June 30, 2011.

13. Reclassifications

During the current fiscal year Fingerprinting and the Media Materials Fund's fund balances were reclassified from non-major special revenue fund to the general fund in the amounts of \$1,229 and \$9,429, respectively. These reclassifications were as a result of implementing GASB 54.

**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, 2011

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>
12/31/2010	\$ 555,463	\$ 736,865	\$ 181,402	75.38%	\$ 143,241	126.64%
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

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$594,364. On a market basis, the funded ratio would be 80.66%.

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, 2011

	Operating fund	Indirect cost fund	Land Transfer Fund	Media Materials Fund	Substitute Teacher Fingerprinting Fund	Total
Assets:						
Cash and cash equivalents	\$ 39,635	\$ 1,213	\$ 30	\$ 9,483	\$ 638	\$ 50,999
Due from other government agencies	101	-	-	-	-	101
Total assets	\$ 39,736	\$ 1,213	\$ 30	\$ 9,483	\$ 638	\$ 51,100
Fund balance:						
Assigned	\$ -	\$ -	\$ 30	\$ 9,483	\$ 638	\$ 10,151
Unassigned	39,736	1,213	-	-	-	40,949
Total liabilities and fund balance	\$ 39,736	\$ 1,213	\$ 30	\$ 9,483	\$ 638	\$ 51,100

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, 2011

	Operating fund	Indirect cost fund	Land Transfer fund	Media Materials Fund	Substitute Teacher Fingerprinting Fund	Total
Revenue:						
Local sources	\$123,421	\$ 2,600	\$ -	\$ -	\$ 2,893	\$ 128,914
On-behalf payments - State	254,588	-	-	-	-	254,588
Total revenues	<u>\$378,009</u>	<u>\$ 2,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,893</u>	<u>\$ 383,502</u>
Expenditures:						
Salaries	\$ 91,762	\$ 4,700	\$ -	\$ -	\$ -	\$ 96,462
Employee benefits	15,382	360	-	-	-	15,742
Purchased services	9,411	31	-	-	-	9,442
Supplies and materials	1,916	-	-	-	23	1,939
Other objects	2,570	-	-	-	3,461	6,031
Administrative:						
On behalf payments - State	254,588	-	-	-	-	254,588
Total expenditures	<u>\$375,629</u>	<u>\$ 5,091</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,484</u>	<u>\$ 384,204</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>\$ 2,380</u>	<u>\$(2,491)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (591)</u>	<u>\$ (702)</u>
Other financing sources/(uses):						
Interest	\$ 22	\$ -	\$ -	\$ 54	\$ -	\$ 76
Total other financing sources/(uses)	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54</u>	<u>\$ -</u>	<u>\$ 76</u>
Net changes in fund balances	\$ 2,402	\$(2,491)	\$ -	\$ 54	\$ (591)	\$ (626)
Fund balances - July 1, 2010	37,334	3,704	30	9,429	1,229	51,726
Fund balances - June 30, 2011	<u>\$ 39,736</u>	<u>\$ 1,213</u>	<u>\$ 30</u>	<u>\$ 9,483</u>	<u>\$ 638</u>	<u>\$ 51,100</u>

See accompanying Independent Auditors' Report.

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

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND ACCOUNTS - OPERATING FUND

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted amounts		Actual amounts
	Original	Final	
Revenue:			
Local sources	\$ 124,000	\$ 124,000	\$ 123,421
On-behalf payments - State	-	-	254,588
Total revenues	<u>\$ 124,000</u>	<u>\$ 124,000</u>	<u>\$ 378,009</u>
Expenditures:			
Salaries	\$ 92,890	\$ 92,890	\$ 91,762
Employee benefits	18,404	18,404	15,382
Purchased services	10,100	10,100	9,411
Supplies and materials	3,400	3,400	1,916
Other objects	3,300	3,300	2,570
Administrative:			
On-behalf payments - State	-	-	254,588
Total expenditures	<u>\$ 128,094</u>	<u>\$ 128,094</u>	<u>\$ 375,629</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>\$ (4,094)</u>	<u>\$ (4,094)</u>	<u>\$ 2,380</u>
Other financing sources/(uses):			
Interest	-	-	22
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>22</u>
Net changes in fund balances	<u>-</u>	<u>-</u>	<u>\$ 2,402</u>
Fund balances - July 1, 2010	<u>-</u>	<u>-</u>	<u>37,334</u>
Fund balances - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,736</u>

See accompanying Independent Auditors' Report.

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

COMBINING SCHEDULE OF ACCOUNTS

EDUCATION FUND

JUNE 30, 2011

	Truants Alternative/ Optional Education	McKinney Education for Homeless Children	Gifted Education	Total
Assets:				
Cash and cash equivalents	\$ -	\$ 867	\$ 71	\$ 938
Due from other government agencies	55,180	-	-	55,180
Total assets	\$ 55,180	\$ 867	\$ 71	\$ 56,118
Liabilities:				
Excess of outstanding checks over bank balance	\$ 29,508	\$ -	\$ -	\$ 29,508
Deferred revenue	9,196	-	-	9,196
Total Liabilities	\$ 38,704	\$ -	\$ -	\$ 38,704
Fund balance, restricted	16,476	867	71	17,414
Total liabilities and fund balance	\$ 55,180	\$ 867	\$ 71	\$ 56,118

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

EDUCATION FUND ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2011

	Truants Alternative/ Optional Education	McKinney Education for Homeless Children	Gifted Education	Total
Revenue:				
Federal sources	\$ -	\$ 11,290	\$ -	\$ 11,290
State sources	72,221	-	-	72,221
Total revenues	<u>\$ 72,221</u>	<u>\$ 11,290</u>	<u>\$ -</u>	<u>\$ 83,511</u>
Expenditures				
Salaries	\$ 39,568	\$ 8,300	\$ -	\$ 47,868
Employee benefits	6,695	1,427	-	8,122
Purchased services	4,427	838	5,586	10,851
Supplies and materials	1,116	680	17,280	19,076
Capital outlay	893	-	-	893
Payments to other governments	3,075	-	12,885	15,960
Total expenditures	<u>\$ 55,774</u>	<u>\$ 11,245</u>	<u>\$ 35,751</u>	<u>\$ 102,770</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>\$ 16,447</u>	<u>\$ 45</u>	<u>\$ (35,751)</u>	<u>\$ (19,259)</u>
Other financing sources/(uses):				
Interest	\$ (3)	\$ -	\$ 4	\$ 1
Total other financing sources/(uses)	<u>\$ (3)</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 1</u>
Net changes in fund balances	\$ 16,444	\$ 45	\$ (35,747)	\$ (19,258)
Fund balances - July 1, 2010	<u>32</u>	<u>822</u>	<u>35,818</u>	<u>36,672</u>
Fund balances - June 30, 2011	<u><u>\$ 16,476</u></u>	<u><u>\$ 867</u></u>	<u><u>\$ 71</u></u>	<u><u>\$ 17,414</u></u>

See accompanying Independent Auditors' Report.

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

BUDGETARY COMPARISON SCHEDULE

EDUCATION FUND ACCOUNTS - TRUANTS ALTERNATIVE/OPTIONAL EDUCATION

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted amounts</u>		<u>Actual amounts</u>
	<u>Original</u>	<u>Final</u>	
Revenue:			
State sources	\$ 77,324	\$ 62,083	\$ 72,221
Total revenues	<u>\$ 77,324</u>	<u>\$ 62,083</u>	<u>\$ 72,221</u>
Expenditures:			
Salaries	\$ 59,076	\$ 45,675	\$ 39,568
Employee benefits	9,630	7,851	6,695
Purchased services	8,010	6,967	4,427
Supplies and materials	608	1,590	1,116
Capital outlay	-	-	893
Payments to other governments	-	-	3,075
Total expenditures	<u>\$ 77,324</u>	<u>\$ 62,083</u>	<u>\$ 55,774</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,447</u>
Other financing sources/(uses):			
Interest	\$ -	\$ -	\$ (3)
Total other financing sources/(uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3)</u>
Net changes in fund balances	\$ -	\$ -	\$ 16,444
Fund balances - July 1, 2010	<u>-</u>	<u>-</u>	<u>32</u>
Fund balances - June 30, 2011	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,476</u></u>

See accompanying Independent Auditors' Report.

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

BUDGETARY COMPARISON SCHEDULE

EDUCATION FUND ACCOUNTS - MCKINNEY EDUCATION FOR HOMELESS CHILDREN

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>amounts</u>
Revenue:			
Federal sources	\$ 11,008	\$ 11,008	\$ 11,290
Total revenues	<u>\$ 11,008</u>	<u>\$ 11,008</u>	<u>\$ 11,290</u>
Expenditures:			
Salaries	\$ 8,300	\$ 8,300	\$ 8,300
Employee benefits	1,395	1,395	1,427
Purchased services	1,213	1,213	838
Supplies and materials	100	100	680
Total expenditures	<u>\$ 11,008</u>	<u>\$ 11,008</u>	<u>\$ 11,245</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45</u>
Net changes in fund balances	\$ -	\$ -	\$ 45
Fund balances - July 1, 2010	<u>-</u>	<u>-</u>	<u>822</u>
Fund balances - June 30, 2011	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 867</u></u>

See accompanying Independent Auditors' Report.

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

BUDGETARY COMPARISON SCHEDULE

EDUCATION FUND ACCOUNTS - GIFTED EDUCATION

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted amounts</u>		<u>Actual amounts</u>
	<u>Original</u>	<u>Final</u>	
Revenue:			
State sources	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:			
Salaries	\$ -	\$ -	\$ -
Employee benefits	-	-	-
Purchased services	-	-	5,586
Supplies and materials	-	-	17,280
Payments to other governments	-	-	12,885
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,751</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (35,751)</u>
Other financing sources/(uses):			
Interest	\$ -	\$ -	\$ 4
Total other financing sources/(uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>
Net changes in fund balances	\$ -	\$ -	\$ (35,747)
Fund balances - July 1, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>35,818</u>
Fund balances - June 30, 2011	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 71</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, 2011

	<u>Supervisory fund</u>	<u>Bus driver fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	<u>\$ 5,658</u>	<u>\$ 2,222</u>	<u>\$ 7,880</u>
Total assets	<u><u>\$ 5,658</u></u>	<u><u>\$ 2,222</u></u>	<u><u>\$ 7,880</u></u>
Liabilities and fund balance:			
Fund balance, restricted	<u>\$ 5,658</u>	<u>\$ 2,222</u>	<u>\$ 7,880</u>
Total liabilities and fund balance	<u><u>\$ 5,658</u></u>	<u><u>\$ 2,222</u></u>	<u><u>\$ 7,880</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 BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	Supervisory fund	Bus driver fund	Total
Revenue:			
State sources	\$ -	\$ 854	\$ 854
Local sources	-	1,726	1,726
Total revenues	<u>\$ -</u>	<u>\$ 2,580</u>	<u>\$ 2,580</u>
Expenditures:			
Purchased services	\$ -	\$ 1,969	\$ 1,969
Supplies and materials	-	-	-
Other objects	232	-	232
Total expenditures	<u>\$ 232</u>	<u>\$ 1,969</u>	<u>\$ 2,201</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>\$ (232)</u>	<u>\$ 611</u>	<u>\$ 379</u>
Other financing sources/(uses):			
Interest	4	-	4
Total other financing sources/(uses)	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 4</u>
Net changes in fund balances	\$ (228)	\$ 611	\$ 383
Fund balances - July 1, 2010	<u>5,886</u>	<u>1,611</u>	<u>7,497</u>
Fund balances - June 30, 2011	<u><u>\$ 5,658</u></u>	<u><u>\$ 2,222</u></u>	<u><u>\$ 7,880</u></u>

See accompanying Independent Auditors' Report.

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

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

AGENCY FUNDS

JUNE 30, 2011

	Distributive fund	Total
Assets:		
Cash and cash equivalents	\$ 1,878	\$ 1,878
Total assets	\$ 1,878	\$ 1,878
Liabilities:		
Due to other government agencies	\$ 1,878	\$ 1,878
Total liabilities	\$ 1,878	\$ 1,878

See accompanying Independent Auditors' Report.

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

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
Distributive fund:				
Assets:				
Cash and cash equivalents	\$ 1,872	\$ 728,443	\$ 728,437	\$ 1,878
Total assets	<u>\$ 1,872</u>	<u>\$ 728,443</u>	<u>\$ 728,437</u>	<u>\$ 1,878</u>
Liabilities:				
Due to other government agencies	\$ 1,872	\$ 728,443	\$ 728,437	\$ 1,878
Total liabilities	<u>\$ 1,872</u>	<u>\$ 728,443</u>	<u>\$ 728,437</u>	<u>\$ 1,878</u>
Total all agency funds:				
Assets:				
Cash and cash equivalents	\$ 1,872	\$ 728,443	\$ 728,437	\$ 1,878
Total assets	<u>\$ 1,872</u>	<u>\$ 728,443</u>	<u>\$ 728,437</u>	<u>\$ 1,878</u>
Liabilities:				
Due to other government agencies	\$ 1,872	\$ 728,443	\$ 728,437	\$ 1,878
Total liabilities	<u>\$ 1,872</u>	<u>\$ 728,443</u>	<u>\$ 728,437</u>	<u>\$ 1,878</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, 2011

	Regional Superintendent of Schools	Regional Vocational Delivery System	Salt Creek Academy	Michael T. Davies	Robert G. Rogers	Total
General State Aid	\$ -	\$ -	\$ 153,089	\$ -	\$ -	\$ 153,089
Rural Education Achievement Program (REAP)	-	-	19,663	-	-	19,663
CTE - Perkins - Secondary	-	69,091	-	-	-	69,091
Reorganization Incentives Feasibility Study	-	-	-	3,250	3,750	7,000
Career and Technical Ed Improvement (CTEI)	-	315,119	-	-	-	315,119
Truants Alternative/Optional Education	45,567	-	-	-	-	45,567
Regional Safe Schools	-	-	104,115	-	-	104,115
ROE School Bus Driver Training	854	-	-	-	-	854
ARRA - Education Jobs Fund Program	-	-	13,939	-	-	13,939
Totals	<u>\$ 46,421</u>	<u>\$ 384,210</u>	<u>\$ 290,806</u>	<u>\$ 3,250</u>	<u>\$ 3,750</u>	<u>\$ 728,437</u>

See accompanying Independent Auditors' Report.