

State of Illinois
LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
FINANCIAL AUDIT
For the Year Ended June 30, 2014

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

LOGAN/MASON/MENARD COUNTIES
 REGIONAL OFFICE OF EDUCATION #38
 JUNE 30, 2014

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LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
JUNE 30, 2014

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 #38
JUNE 30, 2014

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 nonstandard language.

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	5	2
Repeated audit findings	1	1
Prior recommendations implemented or not repeated	1	0

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

SUMMARY OF FINDINGS AND RESPONSES

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
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FINDINGS (*GOVERNMENT AUDITING STANDARDS*)

2014-001	11a	Controls over Financial Statement Preparation	Material Weakness
2014-002	11c	Inadequate Internal Control Procedures	Material Weakness
2014-003	11e	Improper Accounting of Grant Funds	Material Weakness
2014-004	11f	Employee Contracts	Material Weakness
2014-005	11g	Controls over Institute Expenditures	Material Weakness

PRIOR FINDINGS NOT REPEATED (*GOVERNMENT AUDITING STANDARDS*)

2013-002	13	Internal Control Over Grant Compliance	Significant Deficiency
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LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
JUNE 30, 2014

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an informal exit conference on August 28, 2014. Attending were Jean Anderson, Regional Superintendent, Sandy Blane, Office Manager, and Matt Price, Kemper CPA Group, LLP. Responses to the recommendations were provided by Jean Anderson, Regional Superintendent on December 23, 2014.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
JUNE 30, 2014

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Logan/Mason/Menard Counties Regional Office of Education #38 was performed by Kemper CPA Group LLP, Certified Public Accountants and Consultants.

Based on their audit, the auditors expressed an unmodified opinion on the Regional Office of Education #38's basic financial statements.



INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Logan/Mason/Menard Counties Regional Office of Education #38, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Logan/Mason/Menard Counties Regional Office of Education #38's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Logan/Mason/Menard Counties Regional Office of Education #38, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11, the Logan/Mason/Menard Counties Regional Office of Education #38 will disband effective July 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 14a through 14g and page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Logan/Mason/Menard Counties Regional Office of Education #38's basic financial statements. The combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and the Schedule of Disbursements to School District Treasurers and Other Entities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules of accounts, budgetary comparison schedules, combining fund financial statements, and Schedule of Disbursements to School District Treasurers and Other Entities – Distributive Fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules

of accounts, budgetary comparison schedules, combining fund financial statements, and Schedule of Disbursements to School District Treasurers and Other Entities – Distributive Fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2015, on our consideration of the Logan/Mason/Menard Counties Regional Office of Education #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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Logan/Mason/Menard Counties Regional Office of Education #38's internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "Kempar CPA Group LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants and Consultants

Mattoon, Illinois
January 28, 2015



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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Logan/Mason/Menard Counties Regional Office of Education #38, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Logan/Mason/Menard Counties Regional Office of Education #38's basic financial statements, and have issued our report thereon dated January 28, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Logan/Mason/Menard Counties Regional Office of Education #38's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Logan/Mason/Menard Counties Regional Office of Education #38's internal control. Accordingly, we do not express an opinion on the effectiveness of the Logan/Mason/Menard Counties Regional Office of Education #38's internal control.

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

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 deficiencies described in the accompanying Schedule of Findings and Responses as items 2014-001, 2014-002, 2014-003, 2014-004 and 2014-005 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Logan/Mason/Menard Counties Regional Office of Education #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*.

Logan/Mason/Menard Counties Regional Office of Education #38's Responses to Findings

Logan/Mason/Menard Counties Regional Office of Education #38's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Logan/Mason/Menard Counties Regional Office of Education #38's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Logan/Mason/Menard Counties Regional Office of Education #38's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Logan/Mason/Menard Counties Regional Office of Education #38's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kemper CPA Group LLP

Certified Public Accountants and Consultants

Mattoon, Illinois
January 28, 2015

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	Yes
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding No. 2014-001 – Controls over Financial Statement Preparation (Repeat of Finding 13-001, 12-1, 11-1, 10-1, 09-1, 08-1, and 07-3)

Criteria/Specific Requirement:

The Regional Office of Education #38 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Regional Office's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP-based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

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

Condition:

The Regional Office of Education #38 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains its 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' review of the Regional Office's accounting records noted the following:

- The Regional Office's financial information required numerous adjusting entries to present the financial statements in accordance with generally accepted accounting principles.
- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Regional Office did maintain records to indicate the balances of accounts payable, accounts receivable, and unearned revenue and made entries to record them, not all accounts payable, accounts receivable, and unearned revenue were correctly recorded.

Effect:

The Regional Office of Education #38 management or its employees, in the normal course of performing their assigned functions, may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2014-001 – Controls over Financial Statement Preparation (Repeat of Finding 13-001, 12-1, 11-1, 10-1, 09-1, 08-1, and 07-3) (Concluded)

Cause:

According to the Regional Office officials, current funding levels are not adequate to hire and/or train accounting personnel in order to comply with these requirements.

Auditor's Recommendation:

As part of its internal control over the preparation of financial statements, the Regional Office of Education #38 should implement comprehensive preparation procedures to ensure the financial statements are complete and accurate. These procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

Management's Response:

The Logan/Mason/Menard Regional Office of Education understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. ROE 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 #38
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2014-002 – Inadequate Internal Control Procedures

Criteria/Specific Requirement:

The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over receipts and disbursements to prevent errors and fraud.

Condition:

Auditors noted the following weaknesses in the Regional Office of Education #38's internal control system:

- A. The individual who performs the capital asset physical count is not independent of the record keeping process.
- B. Two bank reconciliations did not reconcile to the underlying accounting records.
- C. There is no documented review of the Regional Office of Education #38's general journal entries prior to being posted to the accounting system. Also, journal entries tested provided no description of the adjustment and were not adequately supported.
- D. There is no documented review of the Regional Office of Education #38's payroll reports for salaried employees prior to the payroll being processed.
- E. In 6 of 40 (15%) disbursements tested, auditors noted sales tax was paid on purchases that were exempt from Illinois sales tax.

Effect:

Lack of effective internal control procedures could result in unintentional or intentional errors or misappropriations of assets, in which the errors or fraud could be material to the financial statements and may not be detected in a timely manner by employees in the normal course of performing their assigned duties.

Cause:

The Regional Office of Education #38 has not established sufficient internal control procedures.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2014-002 – Inadequate Internal Control Procedures (Concluded)

Auditor’s Recommendation:

- A. An individual independent of the record keeping process should perform the capital asset physical count.
- B. Although bank reconciliations are being reviewed, the Regional Office of Education #38 should develop policies that allow for the timely detection of bank reconciliations that do not reconcile to the underlying accounting records and ensure reconciling items have cleared.
- C. All journal entries should be reviewed prior to being posted to the accounting system by an individual independent of the general ledger. This review should be documented on the journal entry’s supporting documentation.
- D. An individual independent of the payroll process should review the Regional Office of Education #38’s payroll reports for salaried employees prior to the payroll being processed to ensure the amounts to be paid agree with the contractual amounts outlined in the employee’s contract. In addition, these reviews should be documented.
- E. The Regional Office of Education #38 should develop policies to ensure sales tax is not paid on exempt purchases.

Management’s Response:

The Regional Superintendent of Schools is now reviewing payroll and journal entries and documenting the review at the time it is undertaken. In addition, bank reconciliations are now being reviewed in a more timely fashion. Although the staff of the main office of the Regional Office of Education is limited in size, the Regional Superintendent and the Executive Secretary will undertake the capital asset physical count. Finally, the ROE was unaware of the sales tax issue, until it came up with another ROE who shared the information. Since that time, the ROE has developed a policy to ensure that sales tax is not included with any exempt purchases.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2014-003 – Improper Accounting of Grant Funds

Criteria/specific requirement:

The Regional Office of Education #38 is required by the Illinois State Board of Education (ISBE) to maintain its accounting system consistent with the ISBE Regional Office of Education Accounting Manual. That manual requires the Regional Office of Education #38 to track grant funding activity separately.

Condition:

The Regional Office of Education #38 commingled all Title II – Teacher Quality and Title I – System of Support activity with other funds in its general ledger system. Also, two Education Fund grants, which belong to the Regional Office of Education #38, were accounted for solely in the Distributive Fund.

Effect:

Federal revenues and expenditures were not tracked separately in the Regional Office general ledger in accordance with the ISBE Regional Office of Education Accounting Manual. Also, Regional Office program activity was understated due to the omission of the two Education Fund grants.

Cause:

The Regional Office of Education #38 stated they were unaware that these grants should be tracked separately in their accounting system.

Auditor's Recommendation:

The Regional Office of Education #38 should identify and record grant funds in accordance with requirements set forth in the ISBE Regional Office of Education Accounting Manual.

Management's Response:

The Regional Office of Education #38 has taken steps to identify and record all grant funding in accordance with the ISBE ROE Accounting Manual requirements.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2014-004 – Employee Contracts

Criteria/specific requirement:

The Regional Office of Education #38 is required under the Illinois Wage Payment and Collection Act (820 ILCS 115/10) to notify employees, in writing, of the rate of pay to be acknowledged by both parties.

Condition:

During testing of payroll transactions, auditors noted four Regional Office of Education #38 employees whose total compensation did not agree to amounts stated in their respective employment contract.

Effect:

The Regional Office of Education #38 employees' total compensation was \$25,417 higher than amounts stated and agreed to in the employees' contracts.

Cause:

According to Regional Office of Education #38 officials, employment contracts were based only on the amounts covered in the budgets of Logan, Mason, and Menard Counties to maximize county support.

Auditor's Recommendation:

The Regional Office of Education #38 should develop policies and procedures to ensure employees' contracts agree to the actual amount paid to the employees.

Management's Response:

Employee contracts for the three full-time ROE staff are based, primarily, on county support. However, certain funding is also provided from grant funding. Because grant awards are never guaranteed, amounts requested are subject to change, and grant funding is, quite often, late in being paid, it is difficult to estimate additional salary at the time the contract language is prepared. However, the ROE has developed a policy to record more accurately the employees' total salary in the actual contract language this year.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS (Concluded)

Finding No. 2014-005 – Controls over Institute Expenditures

Criteria/Specific Requirement:

The Illinois School Code 105 ILCS 5/3-12 states that all certificate registration fees and a portion of renewal and duplicate fees shall be used by the Regional Superintendent to defray expenses connected with improving technology necessary for the efficient processing of certificates, to defray all costs associated with the administration of teaching certificates, and to defray expenses incidental to teachers' institutes, workshops or meeting of a professional nature that are designed to promote the professional growth of teachers or for the purpose of defraying the expense of any general or special meeting of teachers or school personnel of the region, which has been approved by the Regional Superintendent.

Condition:

The Regional Office of Education #38 loaned restricted funds to the Title I – System of Support program to cover grant expenditures. Loaning of Institute funds to pay for other programs is not a statutorily approved use of Institute funds.

Effect:

The Regional Office of Education #38 did not comply with statutory requirements.

Cause:

The Regional Office of Education #38 was unaware that the loans violated the Illinois School Code 105 ILCS 5/3-12.

Auditor's Recommendation:

The Regional Office of Education #38 should ensure that funds generated from certification, renewal, and duplicate fees are expended in accordance with the Illinois School Code 105 ILCS 5/3-12.

Management's Response:

The Title I – System of Support grant is specifically for providing professional development in the five foundational services to teachers in our region. No funds are received up front for this grant – it is totally on a reimbursement basis, whenever the grant administrator (ROE #51, Sangamon County) gets the reimbursement sent. Because I have been unsure since the inception of the grant as to whether our expenses for the consultant/trainer and ancillary expenses directly related to the training would be reimbursed, or, if so, how much, we utilized Institute Funds to meet timely payment, and then reimbursed the fund when we received the money. Although I know the allowable uses for the Institute Fund, I had really not thought that this process could be perceived as an inter-fund loan. We are now attempting to pay foundational services bills from the general fund instead, when money is available, and reimburse that.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

CORRECTIVE ACTION PLAN

Finding No. 2014-001 – Controls over Financial Statement Preparation (Repeat of Finding 13-001, 12-1, 11-1, 10-1, 09-1, 08-1, and 07-3)

Condition:

The Regional Office of Education #38 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains its 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' review of the Regional Office's accounting records noted the following:

- The Regional Office's financial information required numerous adjusting entries to present the financial statements in accordance with generally accepted accounting principles.
- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Regional Office did maintain records to indicate the balances of accounts payable, accounts receivable, and unearned revenue and made entries to record them, not all accounts payable, accounts receivable, and unearned revenue were correctly recorded.

Plan:

The Regional Office of Education #38 accepts the degree of risk associated with this condition because the added expense of seeking additional accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for schools in the region.

The Regional Office of Education #38 will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring employees possess the knowledge required to compile the necessary GAAP based financial statements.

Anticipated Date of Completion:

Not Applicable

Contact Person Responsible for Corrective Action:

Jean Anderson, Regional Superintendent of Schools

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

CORRECTIVE ACTION PLAN (Continued)

Finding No. 2014-002 – Inadequate Internal Control Procedures

Condition:

Auditors noted the following weaknesses in the Regional Office of Education #38's internal control system:

- A. The individual who performs the capital asset physical count is not independent of the record keeping process.
- B. Two bank reconciliations did not reconcile to the underlying accounting records.
- C. There is no documented review of the Regional Office of Education #38's general journal entries prior to being posted to the accounting system. Also, journal entries tested provided no description of the adjustment and were not adequately supported.
- D. There is no documented review of the Regional Office of Education #38's payroll reports for salaried employees prior to the payroll being processed.
- E. In 6 of 40 (15%) disbursements tested, auditors noted sales tax was paid on purchases that were exempt from Illinois sales tax.

Plan:

- A. An individual independent of the record keeping process will perform the capital asset physical count.
- B. The Regional Office of Education #38 will develop policies that allow for the timely detection of bank reconciliations that do not reconcile to the underlying accounting records and ensure reconciling items have cleared.
- C. All journal entries will be reviewed prior to being posted to the accounting system by an individual independent of the general ledger. This review will be documented on the journal entry's supporting documentation.
- D. An individual independent of the payroll process will review the Regional Office of Education #38's payroll reports for salaried employees prior to the payroll being processed to ensure the amounts to be paid agree with the contractual amounts outlined in the employee's contract. In addition, these reviews will be documented.
- E. The Regional Office of Education #38 will develop policies to ensure sales tax is not paid on exempt purchases.

Anticipated Date of Completion:

June 30, 2015

Contact Person Responsible for Corrective Action:

Jean Anderson, Regional Superintendent of Schools

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

CORRECTIVE ACTION PLAN (Continued)

Finding No. 2014-003 – Improper Accounting of Grant Funds

Condition:

The Regional Office of Education #38 commingled all Title II – Teacher Quality and Title I – System of Support activity with other funds in its general ledger system. Also, two Education Fund grants, which belong to the Regional Office of Education #38, were accounted for solely in the Distributive Fund.

Plan:

The Regional Office of Education #38 will identify and record grant funds in accordance with requirements set forth in the ISBE Regional Office of Education Accounting Manual.

Anticipated Date of Completion:

June 30, 2015

Contact Person Responsible for Corrective Action:

Jean Anderson, Regional Superintendent of Schools

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

CORRECTIVE ACTION PLAN (Continued)

Finding No. 2014-004 – Employee Contracts

Condition:

During testing of payroll transactions, auditors noted four Regional Office of Education #38 employees whose total compensation did not agree to amounts stated in their respective employment contract.

Plan:

The Regional Office of Education #38 will develop policies and procedures to ensure employees' contracts agree to the actual amount paid to the employees.

Anticipated Date of Completion:

June 30, 2015

Contact Person Responsible for Corrective Action:

Jean Anderson, Regional Superintendent of Schools

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

CORRECTIVE ACTION PLAN (Concluded)

Finding No. 2014-005 – Controls over Institute Expenditures

Condition:

The Regional Office of Education #38 loaned restricted funds to the Title I – System of Support program to cover grant expenditures. Loaning of Institute funds to pay for other programs is not a statutorily approved use of Institute Funds.

Plan:

The Regional Office of Education #38 will ensure that funds generated from certification, renewal, and duplicate fees are expended in accordance with the Illinois School Code 105 ILCS 5/3-12.

Anticipated Date of Completion:

June 30, 2015

Contact Person Responsible for Corrective Action:

Jean Anderson, Regional Superintendent of Schools

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
2013-001	Controls over Financial Statement Preparation	Repeated as Finding 2014-001
2013-002	Internal Control Over Grant Compliance	Corrected

MANAGEMENT'S DISCUSSION AND ANALYSIS

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

The Logan/Mason/Menard Counties Regional Office of Education #38 (Regional Office of Education #38) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2014, with comparative information for the year ended June 30, 2013. Readers are encouraged to consider the information in conjunction with the Regional Office of Education #38's basic financial statements.

2014 Financial Highlights

- Within the Governmental Funds, the General Fund revenues increased by \$138,771 (32%) from \$435,771 in FY13 to \$574,542 in FY14. General Fund expenditures increased by \$132,765 (30%) from \$442,296 in FY13 to \$575,061 in FY14. The increase in revenues and expenditures in FY14 is attributable to recognizing the General State Aid grant in the current year in the General Funds. This grant was accounted for as an Agency Fund in prior years. The General Fund's fund balance increased minimally from \$44,012 in FY13 to \$45,000 in FY14.
- Within the Governmental Funds, the special revenue fund revenues increased by \$74,684 (67%) from \$111,447 in FY13 to \$186,131 in FY14. The special revenue fund expenditures increased by \$83,971 (74%) from \$113,521 in FY13 to \$197,492 in FY14. The increases in revenues and expenditures in FY14 are attributable to recognizing two grants in the Education Fund (Regional Safe Schools and Rural Education Achievement Program) in the current year which were accounted for as Agency Funds in prior years. In a new collaboration with ISBE and the Illinois Center for School Improvement, the ROE received Statewide System of Support grant funding in order to deliver Foundational Services for Continuous Improvement Planning to our districts. In addition, the ROE also sponsored a greater number than in years' past of our districts' attendance at the annual Raising Student Achievement Conference, which is also related to, and supports the Continuous Improvement Planning process. The special revenue fund balances decreased from \$98,595 in FY13 to \$87,271 in FY14. This is due to our attempts to expend excess fund balances to the best of our ability because we are closing soon.
- The Regional Office of Education #38 has no long-term debt.

Using This Report

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

- *Management's Discussion and Analysis* introduces financial statements and provides an analytical overview of the Regional Office of Education #38's financial activities.
- The *government-wide financial statements* consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Regional Office of Education #38 as a whole and present an overall view of the Regional Office of Education #38's finances.
- *Fund financial statements* report the Regional Office of Education #38's operations in more detail than the government-wide statements by providing information about the most significant funds.
- *Notes to the financial statements* provide additional information that is needed for a full understanding of the data provided in the basic financial statements.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

- *Required supplementary information* further explains and supports the financial statements, and *other supplementary information* provides detailed information about the major and nonmajor funds.

Reporting the Regional Office of Education No. #38 as a Whole

The Statement of Net Position and the Statement of Activities

The government-wide financial statements report information about the Regional Office of Education #38 as a whole. The Statement of Net Position includes all of the assets and liabilities. All of the current-year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid, using accounting methods similar to those used by private-sector companies.

The government-wide financial statements report the Regional Office of Education #38's net position and how it has changed. Net position—the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources—is one way to measure the Regional Office of Education #38's financial health or position.

- Over time, increases or decreases in net position can be an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Regional Office of Education #38's overall financial condition, additional nonfinancial factors, such as new laws, rules, regulations, and actions by officials at the State level, need to be considered.

The government-wide financial statements present the Regional Office of Education #38's governmental activities. Local, State, and federal funds finance most of the governmental activities.

Fund Financial Statements

The fund financial statements provide detailed information about the Regional Office of Education #38's funds. Funds are accounting devices that allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by State law. The Regional Office of Education #38 established other funds to control and manage money for particular purposes.

The Regional Office has two kinds of funds:

- (1) Governmental funds account for all of the Regional Office of Education #38'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 the year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Regional Office of Education #38's programs. The Regional Office of Education #38's governmental funds include the General Fund and the special revenue funds.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

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

- (2) Fiduciary funds are used to account for assets held by the Regional Office of Education #38 in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds' required financial statements include a Statement of Fiduciary Net Position.

Government-Wide Financial Analysis

As noted earlier, net position may serve when examined over time as one indicator of the financial position of the Regional Office of Education #38. The net position at the end of FY14 and FY13 totaled \$80,677 and \$113,860, respectively. The analysis that follows provides a summary of the Regional Office of Education #38's net position as of June 30, 2014 and 2013.

CONDENSED STATEMENT OF NET POSITION
June 30, 2014 and 2013

	Governmental Activities		Total	
	2014	2013	2014	2013
Current assets	\$ 138,264	\$ 144,681	\$ 138,264	\$ 144,681
Capital assets, net	13,693	15,311	13,693	15,311
Total assets	<u>151,957</u>	<u>159,992</u>	<u>151,957</u>	<u>159,992</u>
Current liabilities	5,993	2,074	5,993	2,074
Noncurrent liabilities	65,287	44,058	65,287	44,058
Total liabilities	<u>71,280</u>	<u>46,132</u>	<u>71,280</u>	<u>46,132</u>
Net position:				
Invested in capital assets	13,693	15,311	13,693	15,311
Restricted for educational purposes	87,271	98,595	87,271	98,595
Unrestricted	<u>(20,287)</u>	<u>(46)</u>	<u>(20,287)</u>	<u>(46)</u>
Total net position	<u>\$ 80,677</u>	<u>\$ 113,860</u>	<u>\$ 80,677</u>	<u>\$ 113,860</u>

The Regional Office of Education #38's net position decreased by \$27,158 (25%) from FY13. The decrease was primarily due to a significant reduction in county funding. Net position related to certain programs is considered restricted for educational purposes.

The following analysis shows the changes in net position for the years ended June 30, 2014 and 2013.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

CHANGES IN NET POSITION
For the Years Ended June 30, 2014 and 2013

	Governmental Activities		Total	
	2014	2013	2014	2013
Revenues:				
Program revenues:				
Operating grants and contributions	\$ 170,591	\$ 93,748	\$ 170,591	\$ 93,748
General revenues:				
Local sources	148,965	143,499	148,965	143,499
State sources	116,388	-	116,388	-
On-behalf payments	324,729	309,971	324,729	309,971
Investment earnings	1,690	76	1,690	76
Total revenues	762,363	547,294	762,363	547,294
Expenses:				
Program expenses:				
Salaries and benefits	195,489	191,499	195,489	191,499
Purchased services	45,458	57,629	45,458	57,629
Supplies and materials	3,427	4,767	3,427	4,767
Other objects	4,726	8,059	4,726	8,059
Payments to other governments	211,853	-	211,853	-
Depreciation	3,839	3,561	3,839	3,561
Administrative expenses:				
On-behalf payments	324,729	309,971	324,729	309,971
Total expenses	789,521	575,486	789,521	575,486
Change in net position	(27,158)	(28,192)	(27,158)	(28,192)
Net position, beginning of year, restated (see Note 10)	107,835	142,052	107,835	142,052
Net position, end of year	\$ 80,677	\$ 113,860	\$ 80,677	\$ 113,860

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Governmental Activities

Revenues for governmental activities were \$762,363, and expenses were \$789,521. The increase in revenues of \$215,069 (39%) and increase in expenditures of \$214,035 (37%) is due to reporting funds in both the distributive and operating fund accounts, which was not done prior to this year. In addition, the Regional Office of Education #38 received and, then, paid out System of Support dollars, which was a new funding stream for FY14. In FY14, cleaning services for the GED testing center and related facilities were paid from GED funds due to Logan County deciding to eliminate this support provided in prior years. The Regional Office of Education #38 had a decrease in revenue in the Institute Fund, because it was an off year, but more funding was paid out to sponsor districts' attendance at the Raising Student Achievement Conference. Therefore, expenses increased. Finally, because the Regional Office of Education #38 is consolidating soon, there is an attempt to expend excess balances in a fiscally responsible manner. Investment income increased from \$76 in FY13 to \$1,690 in FY14 because of an increase in Money Market interest.

Financial Analysis of the Regional Office of Education #38's Funds

As previously noted, the Regional Office of Education #38 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Regional Office of Education #38's governmental funds reported combined fund balances of \$132,271, a decrease of \$10,190 (7%) from FY13.

Governmental Fund Highlights

County support for the Regional Office of Education #38 decreased by approximately 2.31% over the last two fiscal years.

Budgetary Highlights

The Regional Office of Education #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 Regional Office of Education #38 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency.

Capital Assets

Capital assets of the Regional Office of Education #38 include office equipment, computers, audiovisual equipment, and office furniture. The Regional Office of Education #38 maintains an inventory of capital assets which have been accumulated over time. In FY14, total additions were \$2,221. Depreciation expense for FY14 was \$3,839. See Note 3 to the financial statements for additional information about the Regional Office's capital assets.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Economic Factors and Next Year's Budget

At the time these financial statements were prepared and audited, the Regional Office of Education #38 was aware of several existing circumstances that could affect its financial condition in the future:

- The interest rate on investments remains low and will continue to impact interest earned.
- Career and Technical Education Improvement (CTEI) funding was still outstanding at the close of FY14, but all FY14 funds have now been received. To date, we have received some FY15 payments.
- Funds to be received for the FY15 Homeless Program are only slightly higher than last year's amount.
- The rising cost of supplies and personnel is not being met by the proposed funding from the State and local sources, because the state is up to 6 months behind in funding TAOEP personnel, currently.
- Programs are being operated only on available funds, as the Agency cannot afford to obligate or expend funds that may never be received, that may be several months late, or whose payment may extend into the next fiscal year, particularly because FY15 is our last year in operation.
- School services funding for FY14 was \$22,580. The amount for FY15 increased significantly to \$55,756. All school services funds go into the Mid-Illini Educational Cooperative operating fund, in order to maintain statutory professional development services and support for educators in our regions.
- Supervisory monies, although statutory, have not been provided for the past five years. As reported for FY13, any funds remaining from prior allotments were expended in FY12 to meet budget needs, and the account has been closed.
- FY14 county support was \$123,200, which was \$5,900 less than requested. The FY15 county support total was approved at \$80,380, which is a 7-months' budget, expendable through June 30, 2015. We anticipate all three counties paying their full support.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

- On June 25, 2012, Governor Pat Quinn signed Senate Bill 2706 into law. This became Public Act 97-0703, which calls for the realignment of Regional Offices of Education from the current 44 to 35. In addition, it reset the minimum census population that a Regional Office of Education can serve from 43,000 to 61,000. The statute states that realignment shall take effect on July 1, 2015, and agreements were to have been finalized on or before June 30, 2013. However, by June 30, 2013, consolidation efforts had only resulted in attaining 37 offices, and it was believed that realignment through legislation might be required, should ISBE be unable to direct further consolidation. County Boards for many of the affected offices, including boards representing Logan, Mason, and Menard Counties, had met the legislative deadline to pass resolutions and create intergovernmental agreements with regard to new configurations, and, although there was a concern that those would be disregarded, all existing agreements were, ultimately, permitted to stand, along with the additional efforts to combine other ROE's in order to reach the mandated 35. Therefore, Logan County will be joining the DeWitt, Livingston, and McLean County Education Service Region; Mason County will join Tazewell County, and, along with Woodford County, will form the Mason, Tazewell, and Woodford Education Service Region; and, finally, Menard County will join Sangamon County. Efforts continue to address consolidation procedures, and, barring further change, as of June 30, 2015, the existing three-county structure will be dissolved and, along with the other affected ROEs, the counties will be aligned into the new regional structures. Thus, this Regional Office of Education will cease to exist beyond that date.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the Regional Office of Education #38'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/Menard Counties Regional Office of Education #38 at 122 N. McLean Street, Lincoln, IL 62656.

BASIC FINANCIAL STATEMENTS

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 126,853	\$ 126,853
Due from other governments:		
Local	11,411	11,411
Total Current Assets	138,264	138,264
Noncurrent Assets:		
Capital assets, being depreciated, net	13,693	13,693
TOTAL ASSETS	151,957	151,957
LIABILITIES		
Current Liabilities:		
Accounts payable	863	863
Due to other governments:		
Local	2,515	2,515
State	1,723	1,723
Unearned revenue	892	892
Total Current Liabilities	5,993	5,993
Noncurrent Liabilities:		
Liability for compensated absences	6,759	6,759
Net pension liability	58,528	58,528
Total Noncurrent Liabilities	65,287	65,287
TOTAL LIABILITIES	71,280	71,280
NET POSITION		
Invested in capital assets	13,693	13,693
Restricted for educational purposes	87,271	87,271
Unrestricted	(20,287)	(20,287)
TOTAL NET POSITION	\$ 80,677	\$ 80,677

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

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

FUNCTIONS/PROGRAMS	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
Primary Government:			Primary Government	
Governmental Activities:			Governmental Activities	Total
Instructional Services				
Salaries and benefits	\$ 195,489	\$ 56,846	\$ (138,643)	\$ (138,643)
Purchased services	45,458	17,117	(28,341)	(28,341)
Supplies and materials	3,427	1,207	(2,220)	(2,220)
Other objects	4,726	-	(4,726)	(4,726)
Depreciation expense	3,839	-	(3,839)	(3,839)
Capital outlay	-	2,221	2,221	2,221
Payments to other governments	211,853	93,200	(118,653)	(118,653)
Administrative:				
On-behalf payments - State	324,729	-	(324,729)	(324,729)
Total Governmental Activities	789,521	170,591	(618,930)	(618,930)
TOTAL PRIMARY GOVERNMENT	\$ 789,521	\$ 170,591	(618,930)	(618,930)
GENERAL REVENUES:				
Local sources			148,965	148,965
State sources			116,388	116,388
On-behalf payments - State			324,729	324,729
Investment earnings			1,690	1,690
Total General Revenues			591,772	591,772
CHANGE IN NET POSITION			(27,158)	(27,158)
NET POSITION - BEGINNING				
Restated (See Note 10)			107,835	107,835
NET POSITION - ENDING			\$ 80,677	\$ 80,677

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

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Education Fund	General Education Development	Institute	Nonmajor Special Revenue Fund	Eliminations	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 35,344	\$ 4,302	\$ 35,317	\$ 48,303	\$ 3,587	\$ -	\$ 126,853
Due from other funds	8,018	-	-	-	-	(8,018)	-
Due from other governments:							
Local	1,638	9,773	-	-	-	-	11,411
TOTAL ASSETS	\$ 45,000	\$ 14,075	\$ 35,317	\$ 48,303	\$ 3,587	\$ (8,018)	\$ 138,264
LIABILITIES							
Accounts payable	\$ -	\$ 863	\$ -	\$ -	\$ -	\$ -	\$ 863
Due to other funds	-	8,018	-	-	-	(8,018)	-
Due to other governments:							
Local	-	2,508	-	7	-	-	2,515
State	-	1,723	-	-	-	-	1,723
Unearned revenue	-	892	-	-	-	-	892
Total Liabilities	-	14,004	-	7	-	(8,018)	5,993
FUND BALANCE (DEFICIT)							
Restricted	-	71	35,317	48,296	3,587	-	87,271
Assigned	3,039	-	-	-	-	-	3,039
Unassigned	41,961	-	-	-	-	-	41,961
Total Fund Balance (Deficit)	45,000	71	35,317	48,296	3,587	-	132,271
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 45,000	\$ 14,075	\$ 35,317	\$ 48,303	\$ 3,587	\$ (8,018)	\$ 138,264

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

LOGAN/MASON/MENARD COUNTIES
 REGIONAL OFFICE OF EDUCATION #38
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
 GOVERNMENTAL FUNDS
 JUNE 30, 2014

TOTAL FUND BALANCES — GOVERNMENTAL FUNDS		\$ 132,271
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		13,693
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences	\$ (6,759)	
Net pension obligation	(58,528)	(65,287)
NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ 80,677

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

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Education Fund	General Education Development	Institute	Nonmajor Special Revenue Fund	Total Governmental Funds
REVENUES						
Local sources	\$ 131,160	\$ -	\$ 6,613	\$ 9,384	\$ 1,808	\$ 148,965
State sources	118,653	127,170	-	-	854	246,677
On-behalf payments - State	324,729	-	-	-	-	324,729
Federal sources	-	40,302	-	-	-	40,302
Total Revenues	<u>574,542</u>	<u>167,472</u>	<u>6,613</u>	<u>9,384</u>	<u>2,662</u>	<u>760,673</u>
EXPENDITURES						
Instructional Services:						
Salaries and benefits	119,943	56,846	1,914	1,436	-	180,139
Purchased services	6,592	17,117	4,439	15,409	1,901	45,458
Supplies and materials	418	1,207	769	569	464	3,427
Other objects	4,726	-	-	-	-	4,726
Payments to other governments	118,653	93,200	-	-	-	211,853
On-behalf payments - State	324,729	-	-	-	-	324,729
Capital outlay	-	-	1,942	279	-	2,221
Total Expenditures	<u>575,061</u>	<u>168,370</u>	<u>9,064</u>	<u>17,693</u>	<u>2,365</u>	<u>772,553</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(519)</u>	<u>(898)</u>	<u>(2,451)</u>	<u>(8,309)</u>	<u>297</u>	<u>(11,880)</u>
OTHER FINANCING SOURCES (USES):						
Interest income	1,653	1	-	36	-	1,690
Total Other Financing Sources (Uses)	<u>1,653</u>	<u>1</u>	<u>-</u>	<u>36</u>	<u>-</u>	<u>1,690</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	<u>1,134</u>	<u>(897)</u>	<u>(2,451)</u>	<u>(8,273)</u>	<u>297</u>	<u>(10,190)</u>
FUND BALANCE (DEFICIT) - BEGINNING, Restated (See Note 10)	<u>43,866</u>	<u>968</u>	<u>37,768</u>	<u>56,569</u>	<u>3,290</u>	<u>142,461</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ 45,000</u>	<u>\$ 71</u>	<u>\$ 35,317</u>	<u>\$ 48,296</u>	<u>\$ 3,587</u>	<u>\$ 132,271</u>

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

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #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, 2014

NET CHANGE IN FUND BALANCES — GOVERNMENTAL FUNDS \$ (10,190)

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

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

Capital outlay	\$ 2,221	
Depreciation expense	(3,839)	(1,618)

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

Compensated absences expense	\$ (880)	
Change in net pension obligation	(14,470)	(15,350)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (27,158)

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

LOGAN/MASON/MENARD COUNTIES
 REGIONAL OFFICE OF EDUCATION #38
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 2,566
Due from other governments	7,221
Total Assets	\$ 9,787
 LIABILITIES	
Due to other governments	\$ 9,787
Total Liabilities	\$ 9,787

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

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Logan/Mason/Menard Counties Regional Office of Education #38 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

In 2014, the Regional Office of Education #38 implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement No. 66, *Technical Corrections – 2012 - an amendment of GASB Statements No. 10 and No. 62*; GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*; and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The Regional Office of Education #38 implemented these standards during the current year; however, GASB Statement No. 70 had no impact on the financial statements. The implementation of GASB Statement No. 65 reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB Statement No. 66 resolved conflicting guidance that resulted from the issuance of GASB Statement Nos. 54 and 62 regarding risk financing activities, operating leases, purchased loans, and servicing fees. The implementation of GASB Statement No. 67 improved financial reporting by state and local governmental pension plans.

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

A. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through January 28, 2015, the date on which the financial statements were available to be issued.

B. FINANCIAL REPORTING ENTITY

The Regional Superintendent is charged with responsibility for township fund lands; registration of the names of applicants for scholarships to State-controlled universities; examinations and related duties; visitation of public schools; direction of teachers and school officers; serving as the official advisor and assistant of school officers and teachers; conducting teachers' institutes as well as aiding and encouraging the formation of other teachers' meetings and assisting in their management; evaluating the schools in the region; examining evidence of indebtedness; filing and keeping the returns of elections required to be returned to the Regional Superintendent's office; and filing and keeping the reports and statements returned by school treasurers and trustees.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FINANCIAL REPORTING ENTITY (Concluded)

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education #38's districts; providing township treasurers with a list of district treasurers; inspecting and approving building plans which comply with State law; performing and reporting on annual building inspections; investigating bus drivers for valid bus driver permits and taking related action as may be required; maintaining a list of unfilled teaching positions; and carrying out other related duties required or permitted by law.

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

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

For the period ended June 30, 2014, the Regional Office of Education #38 applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in Regional Office of Education #38. Such activities are reported as a single special revenue fund (Education Fund).

C. SCOPE OF THE REPORTING ENTITY

The Regional Office of Education #38's reporting entity includes all related organizations for which it exercises oversight responsibility.

The Regional Office of Education #38 has developed criteria to determine whether outside agencies with activities that benefit the citizens of the region, including districts or joint agreements which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the Regional Office of Education #38 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SCOPE OF THE REPORTING ENTITY (Concluded)

The districts and joint agreements have been determined not to be a part of the reporting entity after applying the criteria of exercising oversight, scope of public service, and special financing relationships, and they are therefore excluded from the accompanying financial statements because the Regional Office of Education #38 does not control the assets, operations, or management of the districts or joint agreements. In addition, the Regional Office of Education #38 is not aware of any entity that would exercise such oversight as to result in the Regional Office of Education #38 being considered a component unit of the entity.

D. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Regional Office of Education #38's activities with most of the interfund activities removed. Governmental activities include programs supported primarily by State and federal grants and other intergovernmental revenues.

The Regional Office of Education #38's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present a summary of governmental and business-type activities for the Regional Office of Education #38 accompanied by a total column. These statements are presented using an economic resources measurement focus as prescribed by GASB Statement No. 34. All of the Regional Office of Education #38's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges for services and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function.

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.

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 other funds on the Governmental Fund Balance Sheet and as other financing sources/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.

The purpose of interfund borrowing and permanent transfers is to cover temporary or permanent shortfalls in cash flow within grant programs and funds or to move unrestricted funding.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

The governmental fund financial statements have been prepared in accordance with generally accepted accounting principles using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., when 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. 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. 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.

F. 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.

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. The reported fund balance (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 a period.

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 Regional Office of Education #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 revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Concluded)

Under the terms of grant agreements, Logan/Mason/Menard Counties Regional Office of Education #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 Regional Office of Education #38's policy to first apply restricted funds to such programs, and then unrestricted funds. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned funds if any.

G. FUND ACCOUNTING

The Regional Office of Education #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 Regional Office of Education #38 uses governmental and fiduciary funds.

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 fund balance.

As prescribed by GASB Statement No. 34, governmental fund reporting focuses on the major funds, rather than on the fund type. There is a two-step process for determining if a fund should be reported as a major fund: (1) total assets, (including deferred outflows), liabilities, (including deferred inflows), 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, (including deferred outflows), liabilities, (including deferred inflows), 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 Regional Office of Education #38 has presented all major funds that met the above qualifications.

The Regional Office of Education #38 reports the following major governmental funds:

General Fund - The General Fund is used to account for financial resources traditionally associated with government which are not required to be accounted for and reported in another fund. The General Fund is always considered a major fund. The following accounts are included in the General Fund:

General State Aid - This fund maintains revenues received from the State Board of Education earned on a per child basis and administers related program expenditures.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

General Fund (Concluded)

Indirect Cost Fund - This fund accounts for the indirect costs for the Logan/Mason/Menard Counties Regional Office of Education #38.

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

Operating Fund - This fund accounts for all financial support of the Logan/Mason/Menard Counties Regional Office of Education #38 and is its primary operating fund.

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 and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. Major special revenue funds include the following:

Education Fund - This fund is used to account for and report the proceeds of specific revenue sources that are restricted by grant agreements or contracts to expenditures for specified purposes supporting education enhancement programs as follows:

Gifted - This was a one-time State grant to prepare teachers to identify and address the academic needs of students in their classrooms through differentiated instructional practices.

McKinney-Vento Homeless Children and Youth - This program is to provide for a local homeless liaison to help homeless students in the Region.

System of Support - This program provides professional development activities to schools that are on Illinois' Academic Watch List. To be on the list, students have not made adequate yearly progress for at least two years.

Regional Safe Schools - This program provides activities for disruptive students who are eligible for suspension or expulsion.

Rural Education Achievement Program - This program is intended to enhance education through technology and to improve the academic achievement of disadvantaged children.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Concluded)

Education Fund (Concluded)

ROE/ISC Operations - This program accounts for monies for general and administrative expenditures.

Title II - Teacher Quality - Leadership - This program accounts for the proceeds of a grant from the Illinois State Board of Education to improve teacher effectiveness in the classroom.

Truants Alternative and Optional Education - This program provides truancy prevention programs and services for monitoring truants.

General Education Development (GED) - Illinois law requires the Regional Superintendent of Schools to administer the GED test. Testing fees provide testing materials and staff salaries.

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

Nonmajor Special Revenue Fund

Bus Driver Training - Experienced bus drivers must take a two-hour refresher course annually, while all new drivers must take an eight-hour course in bus driver safety and first aid prescribed by the Illinois State Board of Education and administered by the Regional Office.

FIDUCIARY FUNDS

Agency Funds - Agency funds are used to account for assets held by the Regional Office of Education #38 in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations:

Distributive Fund - This fund distributes monies received from the State out to the school districts and other entities. The Regional Office of Education #38 has agreements with all districts in the region whereby the Regional Office of Education #38 is allowed to keep the interest for expenditures benefiting all districts.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. FUND ACCOUNTING (Concluded)

FIDUCIARY FUNDS (Concluded)

School Facility Occupation Tax - This fund is to account for proceeds generated through the school facility occupation tax. The monies are distributed to each school district located within the county in which the tax was collected. The monies are distributed on an enrollment basis.

Land Transfer Fund - The Regional Office of Education #38 is responsible for a 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 fund tracks the money they pay to the office.

H. GOVERNMENTAL FUND BALANCES

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

Nonspendable Fund Balance - The portion of a Governmental Fund's net position that is not available to be spent, either short term or long term, due to either its form or legal restrictions. The Regional Office of Education #38 has no nonspendable fund balances.

Restricted Fund Balance - The portion of a Governmental Fund's net position that is subject to external enforceable legal restrictions. The following funds are restricted by Illinois Statute: General Education Development, Institute, and Bus Driver Training funds. The following Education Fund account is restricted by grantor restrictions: Gifted.

Committed Fund Balance - The portion of a Governmental Fund's net position with self-imposed constraints or limitations that have been placed at the highest level of decision making. The Regional Office of Education #38 has no committed fund balances.

Assigned Fund Balance - The portion of a Governmental Fund's net position for which an intended use of resources has been denoted. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The following General Fund accounts have assigned fund balances: Media Materials Fund and Substitute Teacher Fingerprinting Fund.

Unassigned Fund Balance - Available expendable financial resources in a governmental fund that are not designated for a specific purpose. The fund balances of the following accounts are comprised of unassigned fund balances: Indirect Cost Fund and Operating Fund.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. NET POSITION

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

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

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

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

J. CASH AND CASH EQUIVALENTS

The Regional Office of Education #38 considers cash on hand, checking accounts, savings accounts, and investments with an original maturity date of less than three months to be cash and cash equivalents. As of June 30, 2014, cash and cash equivalents consisted of cash on deposit and invested in money market accounts.

K. ESTIMATES

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

L. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$500 or more and estimated useful lives of greater than one year are reported at historical cost or estimated historical cost in the government-wide financial statements. 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 following estimated useful lives:

Office equipment and furniture	8 - 15 years
Computer equipment	5 - 8 years
Leasehold Improvements	15 - 25 years

In the governmental fund financial statements, capital assets are reported as capital outlay expenditures when acquired.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

M. COMPENSATED ABSENCES

Full-time employees can 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. At June 30, 2014, the liability for unused vacation days increased \$880 from prior year to \$6,759, and is shown on the Statement of Net Position.

A full-time employee is entitled to two personal leave days per year. These days must be used in the current year and may not accumulate from year to year.

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

N. BUDGET INFORMATION

The Regional Office of Education #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 annual budgets have been legally adopted, nor are they required to be. Certain programs within the General Fund and Special Revenue Funds do not have separate budgets. Comparisons of budgeted and actual results are presented as supplementary information. Budgetary comparison schedules have been provided in supplementary schedules for the following funds: McKinney-Vento Homeless Children and Youth, System of Support, Regional Safe Schools, ROE/ISC Operations, Title II - Teacher Quality - Leadership, and Truants Alternative and Optional Education.

O. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

GASB Statement No. 65 reclassified as deferred outflows of resources or deferred inflows of resources certain items that were previously reported as assets and liabilities. Decreases in net assets that relate to future periods are reported as deferred outflows of resources. Increases in net assets that relate to future periods are reported as deferred inflows of resources. When an asset is recorded in the governmental fund financial statements but the revenue is not available, the Regional Office reports a deferred inflow of resources until such time as the revenue becomes available. *Available* means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are not available if they are received more than 60 days after the end of the fiscal year. The Regional Office had no deferred inflows or outflows of resources in the current year.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 – DEPOSITS AND INVESTMENTS

The Regional Office of Education #38 is permitted to invest in securities as authorized by 30 ILCS-235/2 and 6 and 105 ILCS-5/8-7. It is the policy of the Regional Office to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Regional Office and conforming to all State statutes governing the investment of public funds. This policy includes all funds under the care and control of the Regional Superintendent of Schools.

A. DEPOSITS

At June 30, 2014, the carrying amount of the Regional Office of Education #38's government-wide and Agency fund deposits were \$126,853 and \$2,566, respectively and the bank balances were \$135,070 and \$67,962, respectively. Of the total bank balances as of June 30, 2014, \$183,111 was insured by Federal Depository Insurance Corporation and \$19,921 was invested in the Illinois Funds Money Market Fund.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits with financial institutions is the risk that, in the event of bank failure, the Regional Office's deposits may not be returned to it. To guard against custodial credit risk for deposits with financial institutions, the Regional Office of Education #38's investment policy requires that deposits with financial institutions in excess of FDIC limits be secured by some form of collateral, by a written agreement, and held at an independent, third-party institution in the name of the Regional Office.

B. INVESTMENTS

The Regional Office of Education #38's only investments are internally pooled in the Illinois Funds Money Market Fund. As of June 30, 2014, the Regional Office of Education #38 had investments with carrying and fair values of \$19,921 invested in the Illinois Funds Money Market Fund. This amount is included in cash and cash equivalents in the financial statements.

CREDIT RISK

At June 30, 2014, the Illinois Funds Money Market Fund had a Standard and Poor's AAAM rating. The pool is audited annually by an outside independent auditor, and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provision of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 – DEPOSITS AND INVESTMENTS (Concluded)

B. INVESTMENTS (Concluded)

CONCENTRATION OF CREDIT RISK

Unless specifically authorized by the Treasurer, the Illinois Funds Money Market Fund’s investment policy limits investment categories to not exceed 25% of the portfolio with the exception of cash equivalents and U.S. Treasury securities. Further certificates of deposit cannot exceed 10% of any single financial institution’s total deposits.

INTEREST RATE RISK

The Illinois Funds Money Market Fund, created by the Illinois General Assembly, enables custodians of public funds an investment option with a competitive rate of return on fully collateralized investments and immediate access to the funds. The investment policy of the Illinois Funds Money Market Funds states that, unless authorized specifically by the Treasurer, a minimum of 75% of its investments shall have less than one-year maturity and no investment shall exceed two years maturity.

NOTE 3 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the Regional Office of Education #38 has reported capital assets in the government-wide Statement of Net Position. Purchases are reported as capital outlay in the governmental fund statements. The following table provides a summary of changes in total assets, accumulated depreciation, and investment in capital assets for the year ended June 30, 2014:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Governmental Activities				
Capital assets being depreciated:				
Office furniture & equipment	\$ 60,740	\$ 2,221	\$ -	\$ 62,961
Total capital assets being depreciated	<u>60,740</u>	<u>2,221</u>	<u>-</u>	<u>62,961</u>
Less accumulated depreciation:				
Office furniture & equipment	(45,429)	(3,839)	-	(49,268)
Total accumulated depreciation	<u>(45,429)</u>	<u>(3,839)</u>	<u>-</u>	<u>(49,268)</u>
Governmental Activities -				
Investment in Capital Assets	<u>\$ 15,311</u>	<u>\$ (1,618)</u>	<u>\$ -</u>	<u>\$ 13,693</u>

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense of \$3,839 was charged to the governmental activities on the government-wide Statement of Activities for the year ended June 30, 2014. Investment in capital assets is the component of net position that reports capital assets net of accumulated depreciation.

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 – DEFINED-BENEFIT PENSION PLAN

Plan Description. The Regional Office of Education #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 Regional Office of Education #38’s plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy. As set by statute, the Regional Office of Education #38’s Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2013 used by the employer was 15.37 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2013 was 25.14 percent. The employer also contributes for disability benefits, death benefits, and supplementary 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, 2013, the employer’s actual contributions for pension cost for the Regular plan members were \$22,765. Its required contribution for calendar year 2013 was \$37,235.

Three-Year Trend Information for the Regular Plan

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/13	\$37,235	61%	\$14,470
12/31/12	28,842	44%	16,108
12/31/11	28,792	48%	15,044

The required contribution for 2013 was determined as part of the December 31, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% 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 Regional Office of Education #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 Regional Office of Education #38’s Regular plan’s unfunded actuarial accrued liability at December 31, 2011 is being amortized as a level percentage of projected payroll on an open 10 year basis.

LOGAN/MASON/MENARD COUNTIES
 REGIONAL OFFICE OF EDUCATION #38
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE 4 – DEFINED-BENEFIT PENSION PLAN (Concluded)

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the Regular plan was 73.69 percent funded. The actuarial accrued liability for benefits was \$792,190 and the actuarial value of assets was \$583,748, resulting in an underfunded actuarial accrued liability (UAAL) of \$208,442. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$148,112 and the ratio of the UAAL to the covered payroll was 141 percent.

The schedule of funding progress, presented as required supplemental information (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.

NOTE 5 – RISK MANAGEMENT

The Regional Office of Education #38 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Regional Office of Education #38 has purchased commercial insurance to cover these risks. No losses have been incurred in excess of the amounts covered by insurance over the past three years.

NOTE 6 – INTERFUND ACTIVITY

DUE TO/FROM OTHER FUNDS

Interfund due to/from other fund balances at June 30, 2014, consist of the following individual due to/from other funds in the governmental fund Balance Sheet. These balances were eliminated in the government-wide Statement of Net Position.

	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
General Fund	\$ 8,018	\$ -
Education Fund	-	8,018
	<u>\$ 8,018</u>	<u>\$ 8,018</u>

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 – DUE TO/FROM OTHER GOVERNMENTS

The Regional Office of Education #38’s General Fund, Education Fund, Institute Fund, and Agency Funds have funds due from/to various other governmental units which consist of the following:

Due from Other Governments:

General Fund

Local Governments	\$ 1,638
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Education Fund

Local Governments	9,773
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Agency Funds

Illinois State Board of Education	7,221
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Total Due from Other Governments	\$ 18,632
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Due to Other Governments:

Education Fund

Local Governments	\$ 2,508
-------------------	----------

Illinois State Board of Education	1,723
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Institute Fund

Local Governments	7
-------------------	---

Agency Funds

Local Governments	9,787
-------------------	-------

Total Due to Other Governments	\$ 14,025
--------------------------------	-----------

NOTE 8 – ON-BEHALF PAYMENTS

The State of Illinois paid the following salaries on behalf of the Regional Office of Education #38:

Regional Superintendent Salary	\$ 104,784
Assistant Regional Superintendent Salary	94,320
Regional Superintendent Benefits (includes State-paid insurance)	27,875
Assistant Regional Superintendent Benefits (includes State-paid insurance)	27,248
TRS Pension Contributions	70,502
Total	\$ 324,729

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

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

LOGAN/MASON/MENARD COUNTIES
 REGIONAL OFFICE OF EDUCATION #38
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

The Regional Office of Education #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 #38 are required to pay 100% of the current premium. However, no former employees have chosen to stay in the Regional Office of Education #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 #38 had no former employees for which the Regional Office of Education #38 was providing an explicit subsidy and no current employees with agreements for future explicit subsidies upon retirement. Therefore, the Regional Office of Education #38 has not recorded any post-employment benefit liability as of June 30, 2014.

NOTE 10 – RECLASSIFICATIONS AND RESTATEMENT

In prior years, the Land Transfer Fund was reported in the General Fund. This program accounts for fees received by individuals who wish to be annexed into a different school district. In the current year, this activity was reclassified to an Agency Fund.

Activity related to compensated absences was not recognized in fiscal year 2013. A prior-period adjustment has been made to recognize the expense associated with these compensated absences and properly reflect the beginning balance of net position.

The following is the effect of the reclassifications and the restatement on the beginning net position for the Governmental Activities and the beginning fund balance of the General Fund.

Governmental Activities Net Position:

Net Position - July 1, 2013	\$	113,860
Effect of prior-period adjustment to reclassify program		(146)
Effect of prior-period adjustment to recognize compensated absences at June 30, 2013		(5,879)
		(5,879)
Net Position, Restated - July 1, 2013	\$	107,835

General Fund:

Fund Balance - July 1, 2013	\$	44,012
Effect of prior-period adjustment to reclassify program		(146)
		(146)
Fund Balance, Restated - July 1, 2013	\$	43,866

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11 – REGIONAL OFFICE OF EDUCATION CONSOLIDATION

On November 22, 2013, the Illinois State Board of Education adopted a motion pursuant to its obligation under 105 ILCS 5/3A-4(a), which recognizes consolidations agreed to via county board resolutions prior to June 30, 2013. Effective July 1, 2015, Logan County will be included in the Regional Office of Education #17, Mason County will be included in the Regional Office of Education #53, and Menard County will be included in the Regional Office of Education #51.

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

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS
(UNAUDITED)
JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/13	\$ 583,748	\$ 792,190	\$ 208,442	73.69%	\$ 148,112	140.73%
12/31/12	546,278	744,604	198,326	73.36%	121,387	163.38%
12/31/11	589,008	789,420	200,412	74.61%	144,104	139.07%

On a market value basis, the actuarial value of assets as of December 31, 2013, is \$703,285. On a market basis, the funded ratio would be 88.78%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with Logan/Mason/Menard ROE #38. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

OTHER SUPPLEMENTARY INFORMATION

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
JUNE 30, 2014

	General State Aid	Indirect Cost Fund	Media Materials Fund	Operating Fund	Substitute Teacher Fingerprinting Fund	TOTALS
ASSETS						
Cash and cash equivalents	\$ -	\$ 3,851	\$ 1,447	\$ 28,454	\$ 1,592	\$ 35,344
Due from other funds	-	-	-	8,018	-	8,018
Due from other governments						
Local	-	-	-	1,638	-	1,638
TOTAL ASSETS	\$ -	\$ 3,851	\$ 1,447	\$ 38,110	\$ 1,592	\$ 45,000
FUND BALANCE (DEFICIT)						
Assigned	\$ -	\$ -	\$ 1,447	\$ -	\$ 1,592	\$ 3,039
Unassigned	-	3,851	-	38,110	-	41,961
Total Fund Balance (Deficit)	-	3,851	1,447	38,110	1,592	45,000
TOTAL FUND BALANCE (DEFICIT)	\$ -	\$ 3,851	\$ 1,447	\$ 38,110	\$ 1,592	\$ 45,000

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

	General State Aid	Indirect Cost Fund	Media Materials Fund	Operating Fund	Substitute Teacher Fingerprinting Fund	TOTALS
REVENUES						
Local sources	\$ -	\$ 1,501	\$ -	\$ 127,179	\$ 2,480	\$ 131,160
State sources	118,653	-	-	-	-	118,653
On-behalf payments - State	-	-	-	324,729	-	324,729
Total Revenues	118,653	1,501	-	451,908	2,480	574,542
EXPENDITURES						
Salaries and benefits	-	266	-	119,677	-	119,943
Purchased services	-	342	-	3,754	2,496	6,592
Supplies and materials	-	107	-	311	-	418
Other objects	-	-	1,900	2,782	44	4,726
Payments to governments	118,653	-	-	-	-	118,653
On-behalf expenditures - State	-	-	-	324,729	-	324,729
Total Expenditures	118,653	715	1,900	451,253	2,540	575,061
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	786	(1,900)	655	(60)	(519)
OTHER FINANCING SOURCES (USES)						
Interest income	-	-	3	1,650	-	1,653
Total Other Financing Sources (Uses)	-	-	3	1,650	-	1,653
NET CHANGE IN FUND BALANCE (DEFICIT)	-	786	(1,897)	2,305	(60)	1,134
FUND BALANCE (DEFICIT) - BEGINNING, Restated (See Note 10)	-	3,065	3,344	35,805	1,652	43,866
FUND BALANCE (DEFICIT) - ENDING	\$ -	\$ 3,851	\$ 1,447	\$ 38,110	\$ 1,592	\$ 45,000

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2014

	Gifted	McKinney-Vento Homeless Children and Youth	System of Support	Regional Safe Schools	Rural Education Achievement Program
ASSETS					
Cash and cash equivalents	\$ 71	\$ -	\$ -	\$ -	\$ -
Due from other governments:					
Local	-	2,313	7,460	-	-
TOTAL ASSETS	\$ 71	\$ 2,313	\$ 7,460	\$ -	\$ -
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 863	\$ -	\$ -
Due to other funds	-	1,421	6,597	-	-
Due to other governments:					
Local	-	-	-	-	-
State	-	-	-	-	-
Unearned revenue	-	892	-	-	-
Total Liabilities	-	2,313	7,460	-	-
FUND BALANCE (DEFICIT)					
Restricted	71	-	-	-	-
Total Fund Balance (Deficit)	71	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 71	\$ 2,313	\$ 7,460	\$ -	\$ -

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2014

	ROE/ISC Operations	Title II - Teacher Quality - Leadership	Truants Alternative and Optional Education	TOTALS
ASSETS				
Cash and cash equivalents	\$ 2,508	\$ -	\$ 1,723	\$ 4,302
Due from other governments:				
Local	-	-	-	9,773
TOTAL ASSETS	\$ 2,508	\$ -	\$ 1,723	\$ 14,075
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 863
Due to other funds	-	-	-	8,018
Due to other governments:				
Local	2,508	-	-	2,508
State	-	-	1,723	1,723
Unearned revenue	-	-	-	892
Total Liabilities	2,508	-	1,723	14,004
FUND BALANCE (DEFICIT)				
Restricted	-	-	-	71
Total Fund Balance (Deficit)	-	-	-	71
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 2,508	\$ -	\$ 1,723	\$ 14,075

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

	Gifted	McKinney-Vento Homeless Children and Youth	System of Support	Regional Safe Schools	Rural Education Achievement Program
REVENUES					
State sources	\$ -	\$ -	\$ -	\$ 50,859	\$ -
Federal sources	-	7,467	10,663	-	19,761
Total Revenues	-	7,467	10,663	50,859	19,761
EXPENDITURES					
Salaries and benefits	-	7,480	-	-	-
Purchased services	-	723	10,604	-	-
Supplies and materials	-	156	59	-	-
Payments to other governments	-	-	-	50,859	19,761
Total Expenditures	-	8,359	10,663	50,859	19,761
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(892)	-	-	-
OTHER FINANCING SOURCES (USES):					
Interest income	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
NET CHANGE IN FUND BALANCE (DEFICIT)	-	(892)	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	71	892	-	-	-
FUND BALANCE (DEFICIT) - ENDING	\$ 71	\$ -	\$ -	\$ -	\$ -

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

	ROE/ISC Operations	Title II - Teacher Quality - Leadership	Truants Alternative and Optional Education	TOTALS
REVENUES				
State sources	\$ 22,580	\$ -	\$ 53,731	\$ 127,170
Federal sources	-	2,411	-	40,302
Total Revenues	<u>22,580</u>	<u>2,411</u>	<u>53,731</u>	<u>167,472</u>
EXPENDITURES				
Salaries and benefits	-	121	49,245	56,846
Purchased services	-	2,290	3,500	17,117
Supplies and materials	-	-	992	1,207
Payments to other governments	22,580	-	-	93,200
Total Expenditures	<u>22,580</u>	<u>2,411</u>	<u>53,737</u>	<u>168,370</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>(898)</u>
OTHER FINANCING SOURCES (USES):				
Interest income	-	-	1	1
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	<u>-</u>	<u>-</u>	<u>(5)</u>	<u>(897)</u>
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>5</u>	<u>968</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71</u>

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
McKINNEY-VENTO HOMELESS CHILDREN AND YOUTH
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal	\$ 8,365	\$ 8,365	\$ 7,467
Total Revenue	<u>8,365</u>	<u>8,365</u>	<u>7,467</u>
EXPENDITURES			
Salaries and benefits	7,487	7,487	7,480
Purchased services	703	703	723
Supplies and materials	175	175	156
Total Expenditures	<u>8,365</u>	<u>8,365</u>	<u>8,359</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	-	(892)
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>892</u>
FUND BALANCE (DEFICIT) - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
SYSTEM OF SUPPORT
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal	\$ 15,590	\$ 15,590	\$ 10,663
Total Revenue	<u>15,590</u>	<u>15,590</u>	<u>10,663</u>
EXPENDITURES			
Purchased services	14,087	14,087	10,604
Supplies and materials	1,503	1,503	59
Total Expenditures	<u>15,590</u>	<u>15,590</u>	<u>10,663</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
REGIONAL SAFE SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
REVENUE			
State	\$ 50,859	\$ 50,859	\$ 50,859
Total Revenue	<u>50,859</u>	<u>50,859</u>	<u>50,859</u>
EXPENDITURES			
Salaries and benefits	50,859	50,859	-
Payments to other governments	-	-	50,859
Total Expenditures	<u>50,859</u>	<u>50,859</u>	<u>50,859</u>
NET CHANGE IN FUND			
BALANCE (DEFICIT)	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING			
	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING			
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ROE/ISC OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
REVENUE			
State	\$ 25,088	\$ 25,088	\$ 22,580
Total Revenue	<u>25,088</u>	<u>25,088</u>	<u>22,580</u>
EXPENDITURES			
Payments to other governments	25,088	25,088	22,580
Total Expenditures	<u>25,088</u>	<u>25,088</u>	<u>22,580</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TITLE II - TEACHER QUALITY - LEADERSHIP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal	\$ 2,411	\$ 2,411	\$ 2,411
Total Revenue	<u>2,411</u>	<u>2,411</u>	<u>2,411</u>
EXPENDITURES			
Salaries and benefits	121	121	121
Purchased services	2,290	2,290	2,290
Total Expenditures	<u>2,411</u>	<u>2,411</u>	<u>2,411</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TRUANTS ALTERNATIVE AND OPTIONAL EDUCATION
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUE			
State	\$ 55,449	\$ 55,449	\$ 53,731
Total Revenue	<u>55,449</u>	<u>55,449</u>	<u>53,731</u>
EXPENDITURES			
Salaries and benefits	49,155	49,155	49,245
Purchased services	5,302	5,302	3,500
Supplies and materials	992	992	992
Total Expenditures	<u>55,449</u>	<u>55,449</u>	<u>53,737</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES			
	<u>-</u>	<u>-</u>	<u>(6)</u>
OTHER FINANCING SOURCES:			
Interest income	-	-	1
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>1</u>
NET CHANGE IN FUND BALANCE (DEFICIT)			
	-	-	(5)
FUND BALANCE (DEFICIT) - BEGINNING			
	<u>-</u>	<u>-</u>	<u>5</u>
FUND BALANCE (DEFICIT) - ENDING			
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

LOGAN/MASON/MENARD COUNTIES
 REGIONAL OFFICE OF EDUCATION #38
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUND
 JUNE 30, 2014

	<u>Bus Driver Training</u>	<u>TOTALS</u>
ASSETS		
Cash and cash equivalents	<u>\$ 3,587</u>	<u>\$ 3,587</u>
TOTAL ASSETS	<u><u>\$ 3,587</u></u>	<u><u>\$ 3,587</u></u>
FUND BALANCE (DEFICIT)		
Restricted	<u>\$ 3,587</u>	<u>\$ 3,587</u>
TOTAL FUND BALANCE (DEFICIT)	<u><u>\$ 3,587</u></u>	<u><u>\$ 3,587</u></u>

LOGAN/MASON/MENARD COUNTIES
 REGIONAL OFFICE OF EDUCATION #38
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 NONMAJOR SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2014

	Bus Driver Training	TOTALS
REVENUES		
Local sources	\$ 1,808	\$ 1,808
State sources	854	854
Total Revenues	2,662	2,662
EXPENDITURES		
Purchased services	1,901	1,901
Supplies and materials	464	464
Total Expenditures	2,365	2,365
NET CHANGE IN FUND BALANCE (DEFICIT)	297	297
FUND BALANCE (DEFICIT) - BEGINNING	3,290	3,290
FUND BALANCE (DEFICIT) - ENDING	\$ 3,587	\$ 3,587

LOGAN/MASON/MENARD COUNTIES
 REGIONAL OFFICE OF EDUCATION #38
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 AGENCY FUNDS
 JUNE 30, 2014

	Distributive Fund	School Facility Occupation Tax	Land Transfer Fund	TOTALS
ASSETS				
Cash and cash equivalents	\$ 1,458	\$ 540	\$ 568	\$ 2,566
Due from other governments	7,221	-	-	7,221
Total Assets	<u>\$ 8,679</u>	<u>\$ 540</u>	<u>\$ 568</u>	<u>\$ 9,787</u>
LIABILITIES				
Due to other governments	\$ 8,679	\$ 540	\$ 568	\$ 9,787
Total Liabilities	<u>\$ 8,679</u>	<u>\$ 540</u>	<u>\$ 568</u>	<u>\$ 9,787</u>

LOGAN/MASON/MENARD COUNTIES
 REGIONAL OFFICE OF EDUCATION #38
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<u>DISTRIBUTIVE FUND</u>				
ASSETS				
Cash and cash equivalents	\$ 1,453	\$ 569,985	\$ 569,980	\$ 1,458
Due from other governments	-	7,221	-	7,221
Total Assets	<u>\$ 1,453</u>	<u>\$ 577,206</u>	<u>\$ 569,980</u>	<u>\$ 8,679</u>
LIABILITIES				
Due to other governments	\$ 1,453	\$ 577,206	\$ 569,980	\$ 8,679
Total Liabilities	<u>\$ 1,453</u>	<u>\$ 577,206</u>	<u>\$ 569,980</u>	<u>\$ 8,679</u>
<u>SCHOOL FACILITY OCCUPATION TAX</u>				
ASSETS				
Cash and cash equivalents	\$ 365	\$ 1,831,589	\$ 1,831,414	\$ 540
Total Assets	<u>\$ 365</u>	<u>\$ 1,831,589</u>	<u>\$ 1,831,414</u>	<u>\$ 540</u>
LIABILITIES				
Due to other governments	\$ 365	\$ 1,831,589	\$ 1,831,414	\$ 540
Total Liabilities	<u>\$ 365</u>	<u>\$ 1,831,589</u>	<u>\$ 1,831,414</u>	<u>\$ 540</u>
<u>LAND TRANSFER FUND</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 1,000	\$ 432	\$ 568
Total Assets	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 432</u>	<u>\$ 568</u>
LIABILITIES				
Due to other governments	\$ -	\$ 1,000	\$ 432	\$ 568
Total Liabilities	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 432</u>	<u>\$ 568</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 1,818	\$ 2,402,574	\$ 2,401,826	\$ 2,566
Due from other governments	-	7,221	-	7,221
Total Assets	<u>\$ 1,818</u>	<u>\$ 2,409,795</u>	<u>\$ 2,401,826</u>	<u>\$ 9,787</u>
LIABILITIES				
Due to other governments	\$ 1,818	\$ 2,409,795	\$ 2,401,826	\$ 9,787
Total Liabilities	<u>\$ 1,818</u>	<u>\$ 2,409,795</u>	<u>\$ 2,401,826</u>	<u>\$ 9,787</u>

LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #38
SCHEDULE OF DISBURSEMENTS TO
SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
DISTRIBUTIVE FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Regional Vocational Delivery System	Regional Office of Education #38	Total
General State Aid	\$ -	\$ 118,653	\$ 118,653
Career & Technical Ed Improvement	262,891	-	262,891
ROE School Bus Driver Training	-	854	854
Truants Alternative/Optional Education	-	53,732	53,732
Regional Safe Schools	-	50,859	50,859
ROE/ISC Operations	-	22,580	22,580
CTE - Perkins - Secondary	56,007	-	56,007
Title II - Leadership	-	4,404	4,404
TOTAL	\$ 318,898	\$ 251,082	\$ 569,980