

State of Illinois
REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI,
AND UNION COUNTIES
FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
FOR THE YEAR ENDED JUNE 30, 2013

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES
FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
For the Year Ended June 30, 2013

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REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

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For the Year Ended June 30, 2013

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REGIONAL OFFICE OF EDUCATION #2
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FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

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REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

AGENCY OFFICIALS

For the Year Ended June 30, 2013

Regional Superintendent
(Current and During the Audit Period)

Ms. Janet Ulrich

Assistant Regional Superintendent
(Current and During the Audit Period)

Ms. Terri Parmly

Office is located at:

17 Rustic Campus Drive
Ullin, Illinois 62992

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMPLIANCE REPORT SUMMARY

For the Year Ended June 30, 2013

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

AUDITORS' REPORT

The auditors' reports on compliance and internal controls do not contain scope limitations, disclaimers or other significant non-standard language.

SUMMARY OF AUDIT FINDINGS

Number of	This Audit	Prior Audit
Audit findings	1	1
Repeated audit findings	0	1
Prior recommendations implemented or not repeated	1	4

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

Item No.	Page	Description	Finding Type
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FINDINGS (*GOVERNMENT AUDITING STANDARDS*)

2013-001	12	Inadequate Monitoring of Collateral on Deposits	Significant Deficiency
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FINDINGS AND QUESTIONED COSTS (*FEDERAL COMPLIANCE*)

None

PRIOR FINDINGS NOT REPEATED (*GOVERNMENT AUDITING STANDARDS*)

12-01	14	Controls Over Financial Statement Preparation	Significant Deficiency
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PRIOR FINDINGS NOT REPEATED (*FEDERAL COMPLIANCE*)

None

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Regional Office of Education #2 management during various informal meetings. The Regional Office of Education #2 declined to have a formal exit conference. The response to the recommendation was provided by Kris Fasnacht, Fiscal Manager, in an email dated March 28, 2014.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

FINANCIAL STATEMENT REPORT SUMMARY

For the Year Ended June 30, 2013

The audit of the accompanying basic financial statements of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2 was performed by Doehring, Winders & Co. LLP.

Based on their audit, the auditors expressed an unmodified opinion on the Regional Office of Education #2's basic financial statements.

DOEHRING, WINDERS & CO. LLP
*Certified Public Accountants
& Business Advisers*
1601 LAFAYETTE AVENUE
MATTOON, ILLINOIS 61938

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 Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2'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 Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2, as of June 30, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 17 through 25 and 58 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 Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities, and Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates 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 and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities, and Schedule of Expenditures of Federal Awards 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 April 3, 2014 on our consideration of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2'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 Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control over financial reporting and compliance.

Doehring, Winters & Co. LLP

Mattoon, Illinois
April 3, 2014

DOEHRING, WINDERS & Co. LLP
*Certified Public Accountants
& Business Advisers*
1601 LAFAYETTE AVENUE
MATTOON, ILLINOIS 61938

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 Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's basic financial statements, and have issued our report thereon dated April 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2'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 Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control. Accordingly, we do not express an opinion on the effectiveness of Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2'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*.

Regional Office of Education #2's Response to Finding

Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Doehring, Winters & Co. LLP

Mattoon, Illinois
April 3, 2014

DOEHRING, WINDERS & CO. LLP
Certified Public Accountants
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1601 LAFAYETTE AVENUE
MATTOON, ILLINOIS 61988

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable William G. Holland
Auditor General
State of Illinois

Report on Compliance for Each Major Federal Program

We have audited Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's major federal programs for the year ended June 30, 2013. The Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's compliance.

Opinion on Each Major Federal Program

In our opinion, the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Doehring, Winders & Co. LLP

Mattoon, Illinois
April 3, 2014

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiency identified? Yes
- Noncompliance material to financial statements noted? No

Federal Awards

Internal control over the major program:

- Material weakness identified? No
- Significant deficiency identified? None noted

Type of auditor's report issued on compliance for the major program: Unmodified

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

Identification of **major** programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010A	System of Support Title I - School Improvement and Accountability (Title I Grants to Local Educational Agencies)

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

Auditee qualified as a low-risk auditee? No

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS

For the Year Ended June 30, 2013

2013-001 Inadequate Monitoring of Collateral on Deposits

Criteria/specific requirement

The Public Funds Deposit Act (30 ILCS 225/1) gives the authorization for deposits in excess of the federally insured limit to be covered by pledged collateral held by the financial institutions' trust departments in the Regional Office of Education #2's name. In addition, prudent business practice requires that all cash and investments held by financial institutions for the Regional Office be adequately covered by depository insurance or collateral.

Condition:

As of June 30, 2013, cash account balances with one bank exceeded Federal Deposit Insurance Corporation (FDIC) coverage and pledged collateral by \$330,827.

Effect:

Failure to secure full collateral on cash and investment balances may result in monetary losses to the Regional Office.

Cause:

Regional Office of Education personnel stated the uninsured deposits at year-end were the result of the Regional Office being unaware of \$348,844 in redemptions occurring on one of the securities pledged to the Regional Office that had an original par value of \$600,000.

Recommendation:

The Regional Office should strengthen controls to ensure the market value of amounts pledged by the bank exceeds the amount not covered by FDIC insurance.

Management's Response:

The Regional Office of Education #2 agrees with the finding. However, this situation occurred because the bank holding the securities did not notify our office when the value of one of the pledged securities was greatly reduced due to early redemptions which resulted in the uncollateralized cash balance. To ensure this situation will not occur again, the Regional Office of Education #2 will be reducing our bank account balances by opening more bank accounts of less than \$250,000, the FDIC insurance coverage limit. Procedures will then be in place to ensure that no bank will have more than the amount covered by FDIC insurance at any time.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION III - FEDERAL AWARD FINDINGS

For the Year Ended June 30, 2013

None reported for the year ended June 30, 2013.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS

For the Year Ended June 30, 2013

Corrective Action Plan

2013-001 Inadequate Monitoring of Collateral on Deposits

Condition:

As of June 30, 2013, cash account balances with one bank exceeded Federal Deposit Insurance Corporation (FDIC) coverage and pledged collateral by \$330,827.

Plan:

To ensure this situation will not occur again, the Regional Office of Education #2 will be reducing our bank account balances by opening more bank accounts of less than \$250,000, the FDIC insurance coverage limit. Procedures will then be in place to ensure that no bank will have more than the amount covered by FDIC insurance at any time.

Anticipated Date of Completion:

Immediately upon learning of oversight.

Name of Contact Person:

Janet Ulrich, Regional Superintendent of Schools

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2013

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
12-01	Controls Over Financial Statement Preparation	Not repeated

MANAGEMENT'S DISCUSSION AND ANALYSIS

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2013

Regional Office of Education #2 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Regional Office of Education #2's financial statements, which follow.

2013 Financial Highlights

- General Fund revenues increased from \$811,698 in fiscal year 2012 (FY12) to \$829,085 in fiscal year 2013 (FY13), and General Fund expenditures increased from \$510,691 in FY12 to \$827,492 in FY13. This resulted in an increase in the Regional Office of Education #2's General Fund fund balance from \$2,798,964 in FY12 to \$2,816,123 in FY13.
- The increase in General Fund revenues was due primarily to the increase in on-behalf payments from the State. The increase in General Fund expenditures was due to more program salaries and purchased services being spent from the General Fund due to reductions in grants. Overall, the fund balance increase in the General Fund was due to keeping expenditures within current year revenues.
- Education Fund revenues decreased from \$1,409,600 in FY12 to \$1,110,854 in FY13, and Education Fund expenditures decreased from \$1,440,751 in FY12 to \$1,044,366 in FY13. This resulted in an increase in the Education Fund fund balance from (\$86,915) in FY12 to (\$20,229) in FY13.
- The decrease in Education Fund revenues and expenditures was due primarily to the reduction in the amount of grant funds.

Using This Report

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

- The Regional Office of Education #2's Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Regional Office of Education #2'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 Regional Office of Education #2 as a whole and present an overall view of the Regional Office of Education #2's finances.
- The governmental fund financial statements tell how governmental services were financed in the short- term as well as what remains for future spending. Fund financial statements report the Regional Office of Education #2's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- The required supplementary information and other information further explains and supports the financial statements with a Schedule of Funding Progress for the Illinois Municipal Retirement Fund, a comparison of the Regional Office of Education #2's budgets for the year, and detailed information about the General Funds, Education Funds, and Nonmajor funds.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2013

Reporting the Office 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 #2 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all the Regional Office of Education #2's assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide financial statements report the Regional Office of Education #2's net position and how they have changed. Net position – the difference between the Regional Office of Education #2's assets and liabilities – is one way to measure the Regional Office of Education #2's financial health or position.

- Over time, increases or decreases in the Regional Office of Education #2's net position are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Regional Office of Education #2's overall health, additional non-financial factors need to be considered.

In the government-wide financial statements, the Regional Office of Education #2's activities consist of governmental activities and business-type activities.

- *Governmental activities:* Most of the Regional Office of Education #2's basic services are included here, such as education/instruction, student and instructional staff support services and administration. State and federal grants, and state aid finance most of these activities.
- *Business-type activities:* The Regional Office of Education #2 charges fees to help cover the costs of certain services and workshops it provides.

Governmental Fund Financial Statements

The governmental fund financial statements provide detailed information about the Regional Office of Education #2's funds, focusing on its most significant or "major" funds – not the Regional Office of Education #2 as a whole. Funds are accounting devices the Regional Office of Education #2 uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law. The Regional Office of Education #2 establishes other funds to control and manage money for particular purposes.

Governmental funds account for most of the Regional Office of Education #2's basic services. These focus on how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Regional Office of Education #2's programs. Because this information does not encompass the additional long-term focus of the government-wide statements a reconciliation between the government-wide statements and the governmental fund statements follows each of the related governmental fund statements. The Regional Office of Education #2's governmental funds include the General Fund and the Special Revenue Funds.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2013

Governmental Fund Financial Statements (continued)

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

Government–Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The Regional Office of Education #2's net position at the end of FY13 totaled approximately \$2.9 million. This compared to approximately \$3.0 million at the end of FY12. The analysis that follows provides a summary of the Regional Office of Education #2's net position at June 30, 2013 and 2012 for the governmental and business-type activities.

**Condensed Statement of Net Position
Governmental Activities**

	<u>2013</u>	<u>2012</u>	<u>Increase/ (Decrease)</u>
Current assets	\$ 2,956,165	\$ 3,110,610	\$ (154,445)
Capital assets, being depreciated, net	86,754	113,202	(26,448)
Total assets	<u>3,042,919</u>	<u>3,223,812</u>	<u>(180,893)</u>
Current liabilities	33,400	156,088	(122,688)
Noncurrent liabilities	61,444	49,537	11,907
Total liabilities	<u>94,844</u>	<u>205,625</u>	<u>(110,781)</u>
Net position:			
Invested in capital assets, net of related debt	86,754	113,202	(26,448)
Restricted for educational purposes	24,975	64,078	(39,103)
Unrestricted	2,836,346	2,840,907	(4,561)
Total net position	<u>\$ 2,948,075</u>	<u>\$ 3,018,187</u>	<u>\$ (70,112)</u>

The Regional Office of Education #2's combined governmental net position decreased by \$70,112 from FY12. In addition, net position for educational purposes is considered restricted.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2013

Condensed Statement of Net Position
Business-Type Activities

	2013	2012	Increase/ (Decrease)
Current assets	\$ (5,955)	\$ (2,246)	\$ (3,709)
Capital assets, being depreciated, net	1,150	1,534	(384)
Total assets	(4,805)	(712)	(4,093)
Current liabilities	-	30	\$ (30)
Noncurrent liabilities	4,817	4,817	-
Total liabilities	4,817	4,847	(30)
Net position:			
Invested in capital assets, net of related debt	1,150	1,534	(384)
Unrestricted	(10,772)	(7,093)	(3,679)
Total net position	\$ (9,622)	\$ (5,559)	\$ (4,063)

The Regional Office of Education #2's business-type net position decreased by \$4,063 from FY12. The Regional Office of Education #2 uses its business-type net position to provide workshops and training services to school districts in the Region.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2013

Government–Wide Financial Analysis (continued)

The following analysis shows the changes in net position for governmental and business-type activities for the years ended June 30, 2013 and June 30, 2012.

Statement of Activities
Governmental Activities

	2013	2012	Increase/ (Decrease)
Revenues:			
Program revenues:			
Operating grants and contributions	\$ 1,004,057	\$ 1,403,332	\$ (399,275)
Charges for services	19,882	24,758	(4,876)
General revenues:			
Local sources	59,446	166,451	(107,005)
State sources	386,154	365,057	21,097
On-behalf payment	364,765	317,197	47,568
Loss on disposal of capital assets	(12,315)	-	(12,315)
Investment earnings	15,779	18,877	(3,098)
Total revenues	1,837,768	2,295,672	(457,904)
Expenses:			
Program expenses:			
Instructional services			
Salaries and benefits	881,058	875,497	5,561
Purchased services	225,844	267,895	(42,051)
Supplies and materials	126,514	129,145	(2,631)
Depreciation expense	40,179	29,594	10,585
Loss on disposal of capital assets	-	-	-
Payments to other governments	269,520	408,309	(138,789)
Other objects	-	-	-
Administrative expenses:			
On-behalf payments - state	364,765	317,197	47,568
Total expenses	1,907,880	2,027,637	(119,757)
Change in net position	(70,112)	268,035	(338,147)
Net position - beginning	3,018,187	2,750,152	268,035
Net position - ending	\$ 2,948,075	\$ 3,018,187	\$ (70,112)

Revenues for governmental activities were \$1,837,768 and expenses were \$1,907,880. The decrease in total revenue is due to several factors including grants that were reduced or no longer funded in FY13.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2013

Government-Wide Financial Analysis (continued)

Statement of Activities
Business-Type Activities

	<u>2013</u>	<u>2012</u>	<u>Increase/ (Decrease)</u>
Revenues:			
Program revenues:			
Charges for services	\$ 6,316	\$ 21,152	\$ (14,836)
General revenues:			
Investment earnings	-	47	(47)
Total revenues	<u>6,316</u>	<u>21,199</u>	<u>(14,883)</u>
Expenses:			
Salaries and benefits	-	48,825	(48,825)
Purchased services	9,722	15,170	(5,448)
Supplies and materials	273	3,278	(3,005)
Depreciation expense	384	383	1
Total expenses	<u>10,379</u>	<u>67,656</u>	<u>(57,277)</u>
Change in net position	(4,063)	(46,457)	42,394
Net position - beginning	<u>(5,559)</u>	<u>40,898</u>	<u>(46,457)</u>
Net position - ending	<u>\$ (9,622)</u>	<u>\$ (5,559)</u>	<u>\$ (4,063)</u>

Revenues for the business-type activities were \$6,316 and expenses were \$10,379. This resulted in an overall decrease in total net position of \$4,063.

Financial Analysis of the Regional Office of Education #2 Funds

As previously noted, the Regional Office of Education #2 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund Highlights:

- The Regional Office of Education #2's governmental funds reported combined fund balances of \$2,817,075 compared with FY12's ending fund balances of \$2,725,315. Of this, general fund balance of \$2,816,123 increased from FY12's ending fund balance of \$2,798,964, education fund balance of (\$20,229) increased from FY12's ending fund balance of (\$86,915), and other non-major governmental fund balance of \$21,181 increased from FY12's ending fund balance of \$13,266. The primary reason for the increase in combined fund balances in FY13 was due to reduced expenditures to keep within budgets.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2013

Financial Analysis of the Regional Office of Education #2 Funds (continued)

Governmental Fund Highlights: (continued)

- Another reason for the significant change in fund balances was the reduction in purchased services and in payments to other governmental units from these funds. As part of our ongoing effort to stay within our budgets, expenditures were decreased as our revenues decreased.
- The Regional Office of Education #2's increasing General Fund financial position is the product of many factors, but is primarily due to the Regional Office of Education #2 keeping expenditures with current year revenues.

Business-Type Fund Highlights:

- The Regional Office of Education #2's business-type fund reported combined net position of (\$9,622) compared with FY12's ending net position of (\$5,559). The primary reason for the decrease in net position in FY13 was due to a reduction in revenues for these services.

Fiduciary Fund Type:

Regional Office of Education #2's fiduciary funds are used to account for assets held by the Regional Office of Education #2 in 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 measurement of results of operations. The Distributive Fund is the Regional Office of Education #2's only agency fund.

Interest on Distributive Fund – The Regional Office of Education #2 has agreements with all participating districts in the region whereby the Regional Office of Education #2 is allowed to keep the interest for expenditures benefiting all districts.

Measurement Focus:

The fund financial statements of all Governmental Funds focus on the measurement of spending or "financial flow" and the determination of changes in financial position, rather than upon net income determination. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund 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 concepts 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 #2; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditures 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.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2013

Financial Analysis of the Regional Office of Education #2 Funds (continued)

Budgetary Highlights:

The Regional Office of Education #2 annually adopts budgets for several funds when required by the granting agency. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the five County Boards for their approval. The Office Operations Budget covers a fiscal year of July 1 through June 30. All grant budgets are prepared by the Regional Office of Education #2 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency. Schedules showing the budget amounts compared to the Regional Office's actual financial activity are included in the supplementary information of this report.

Capital Assets

The Regional Office of Education #2 owns buildings and equipment. Items purchased costing over \$500 are listed on the Regional Office of Education #2's inventory. At June 30, 2013 the Regional Office of Education #2 had an investment in capital assets of \$87,904 which is the original cost of the assets less the accumulated depreciation.

Economic Factors and Next Year's Budget

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

- Funding for existing programs comes in part from the state through funding such as General State Aid. Reduced funding, and in some cases the expectation of no funding, have and will continue to reduce the revenue to support these programs.
- Funding for existing programs comes in part from grant funds. Due to the reduction in the number of grants available, the reduction in the awarded amount of the grants available, and the state's inconsistency with making payments in a timely manner, projecting revenues cannot be done accurately.
- Legislation has been passed to which the number of regional superintendent offices in the State of Illinois is to be reduced which has caused the expected merger of Regional Office of Education #2 into one or more other Regional Offices of Education. The expected date of the merger will be July 1, 2015. See 105 ILCS 5/3A-4 (Mandatory Consolidation of Educational Service Regions).

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2013

Additional Information

The following information is furnished to further explain the Regional Office of Education #2's financial analysis and planning:

Management staff and financial staff continually review all aspects of the financial statements including the format of financial statements, accounting and reporting capital assets, and financial reports of individual funds. This would include a monthly analysis and cross check of balancing the various funds. The review of how to meet projected shortfalls are discussed and analyzed at these meetings.

The management team reviews all programs from short-term to long-term concerning the financial aspects of the Regional Office of Education #2. This includes reviewing projected funds and/or amending the various programs in order to ensure adequate and proper funding. Most financial receipts are ultimately received by the Regional Office of Education #2 to maintain programs. These funds are often late by several months which results in interfund loans or transfers to stay financially viable. Generally speaking, the funds are received by the end of the year, but few are received as indicated in the grant programs. Improved financial planning could occur if the State gave general guidelines from one year to the next. For example, if we were told a particular program will receive at least 85 percent of last year's budget; this would enable the Regional Office of Education #2 to plan more effectively.

Although final results are not available at this point in time, preliminary indications indicate another reduction in Regional Office of Education #2 funds and probably other grant programs. Because of this uncertainty it is difficult to develop a plan to increase or maintain the effectiveness of the Regional Office of Education #2 and grant programs. However, even with these limitations, the Regional Office of Education #2 has been able to not only maintain, but increase the net position of the office the last few years.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the Regional Office of Education #2's citizens, taxpayers, customers, and investors with a general overview of the Regional Office of Education #2's finances and to demonstrate the Regional Office of Education #2's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Regional Office of Education #2, 17 Rustic Campus Drive, Ullin, IL 62992.

BASIC FINANCIAL STATEMENTS

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF NET POSITION

June 30, 2013

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Current Assets:			
Cash and cash equivalents	\$ 2,413,725	\$ -	\$ 2,413,725
Investments	338,583	-	338,583
Interfund due to/from	6,635	(6,635)	-
Due from other governments:			
Local	81,667	680	82,347
State	115,555	-	115,555
Total Current Assets	<u>2,956,165</u>	<u>(5,955)</u>	<u>2,950,210</u>
Noncurrent Assets:			
Capital assets, net of depreciation	86,754	1,150	87,904
Total Noncurrent Assets	<u>86,754</u>	<u>1,150</u>	<u>87,904</u>
Total Assets	<u>3,042,919</u>	<u>(4,805)</u>	<u>3,038,114</u>
Liabilities			
Current Liabilities:			
Accounts payable	29,950	-	29,950
Deferred revenue	3,450	-	3,450
Total Current Liabilities	<u>33,400</u>	<u>-</u>	<u>33,400</u>
Noncurrent Liabilities:			
IMRF net pension obligation	47,693	4,817	52,510
Liability for compensated absences	13,751	-	13,751
Total Noncurrent Liabilities	<u>61,444</u>	<u>4,817</u>	<u>66,261</u>
Total Liabilities	<u>94,844</u>	<u>4,817</u>	<u>99,661</u>
Net Position			
Invested in capital assets, net of related debt	86,754	1,150	87,904
Restricted for educational purposes	24,975	-	24,975
Unrestricted	2,836,346	(10,772)	2,825,574
Total Net Position	<u>\$ 2,948,075</u>	<u>\$ (9,622)</u>	<u>\$ 2,938,453</u>

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
Instructional Services:							
Salaries and benefits	\$ 881,058	\$ 7,240	\$ 588,442	\$ -	\$ (285,376)	\$ -	\$ (285,376)
Purchased services	225,844	4,133	80,027	-	(141,684)	-	(141,684)
Supplies and materials	126,514	8,509	52,933	-	(65,072)	-	(65,072)
Payments to other governments	269,520	-	248,956	-	(20,564)	-	(20,564)
Depreciation	40,179	-	33,699	-	(6,480)	-	(6,480)
Administrative:							
On-behalf payments - state	364,765	-	-	-	(364,765)	-	(364,765)
Total governmental activities	<u>1,907,880</u>	<u>19,882</u>	<u>1,004,057</u>	<u>-</u>	<u>(883,941)</u>	<u>-</u>	<u>(883,941)</u>
Business-type activities							
Registration fees	9,995	6,316	-	-	-	(3,679)	(3,679)
Depreciation	384	-	-	-	-	(384)	(384)
Total business-type activities	<u>10,379</u>	<u>6,316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,063)</u>	<u>(4,063)</u>
Total primary government	<u>\$ 1,918,259</u>	<u>\$ 26,198</u>	<u>\$ 1,004,057</u>	<u>\$ -</u>	<u>(883,941)</u>	<u>(4,063)</u>	<u>(888,004)</u>
General Revenues:							
Local sources					59,446	-	59,446
State sources					386,154	-	386,154
On-behalf payments					364,765	-	364,765
Loss on disposal of capital assets					(12,315)	-	(12,315)
Investment earnings					15,779	-	15,779
Total general revenues					<u>813,829</u>	<u>-</u>	<u>813,829</u>
Change in net position					(70,112)	(4,063)	(74,175)
Net position - beginning					3,018,187	(5,559)	3,012,628
Net position - ending					<u>\$ 2,948,075</u>	<u>\$ (9,622)</u>	<u>\$ 2,938,453</u>

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2013

	General Fund	Education Fund	Other Non-Major Funds	Eliminations	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 2,374,930	\$ 11,851	\$ 26,944	\$ -	\$ 2,413,725
Investments	338,583	-	-	-	338,583
Due from other funds	109,131	-	-	(102,496)	6,635
Due from other governments					
Local	81,667	-	-	-	81,667
State	-	115,555	-	-	115,555
Total assets	<u>\$ 2,904,311</u>	<u>\$ 127,406</u>	<u>\$ 26,944</u>	<u>\$ (102,496)</u>	<u>\$ 2,956,165</u>
Liabilities and fund balance (deficit):					
Liabilities:					
Accounts payable	\$ 5,390	\$ 24,168	\$ 392	\$ -	\$ 29,950
Due to other funds	1,131	95,994	5,371	(102,496)	-
Deferred revenue	81,667	27,473	-	-	109,140
Total liabilities	<u>88,188</u>	<u>147,635</u>	<u>5,763</u>	<u>(102,496)</u>	<u>139,090</u>
Fund balance (deficit):					
Restricted	-	4,404	26,709	-	31,113
Assigned	2,694,096	-	-	-	2,694,096
Unassigned, reported in:					
Special revenue funds	-	(24,633)	(5,528)	-	(30,161)
General fund	122,027	-	-	-	122,027
Total fund balance (deficit)	<u>2,816,123</u>	<u>(20,229)</u>	<u>21,181</u>	<u>-</u>	<u>2,817,075</u>
Total liabilities and fund balance (deficit)	<u>\$ 2,904,311</u>	<u>\$ 127,406</u>	<u>\$ 26,944</u>	<u>\$ (102,496)</u>	<u>\$ 2,956,165</u>

REGIONAL OFFICE OF EDUCATION #2
 ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION

June 30, 2013

Total Fund balances - governmental funds		\$ 2,817,075
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Some revenues will not be collected for several months after the Regional Office fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.		105,690
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		86,754
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Liability for compensated absences	\$ (13,751)	
IMRF net pension obligation	(47,693)	(61,444)
Net position of governmental activities		\$ 2,948,075

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2013

	General Fund	Education Fund	Other Nonmajor Funds	Eliminations	Total Governmental Funds
Revenues:					
Local sources	\$ 55,590	\$ 31,879	\$ 17,722	\$ -	\$ 105,191
State sources	386,154	399,014	2,160	-	787,328
State sources- payments made on behalf of region	364,765	-	-	-	364,765
Federal sources	22,576	679,961	-	-	702,537
Total revenues	<u>829,085</u>	<u>1,110,854</u>	<u>19,882</u>	<u>-</u>	<u>1,959,821</u>
Expenditures:					
Instructional services					
Salaries and benefits	239,647	625,141	4,363	-	869,151
Purchased services	136,716	86,637	2,491	-	225,844
Supplies and materials	64,081	57,305	5,128	-	126,514
Payments to other governments	-	269,520	-	-	269,520
Payments made on behalf of region	364,765	-	-	-	364,765
Capital Outlay	22,283	5,763	-	-	28,046
Total expenditures	<u>827,492</u>	<u>1,044,366</u>	<u>11,982</u>	<u>-</u>	<u>1,883,840</u>
Excess of revenues over expenditures	<u>1,593</u>	<u>66,488</u>	<u>7,900</u>	<u>-</u>	<u>75,981</u>
Other financing sources:					
Transfers in	-	1	-	(1)	-
Transfers out	(1)	-	-	1	-
Interest	15,567	197	15	-	15,779
Total other financing sources	<u>15,566</u>	<u>198</u>	<u>15</u>	<u>-</u>	<u>15,779</u>
Net change in fund balances	17,159	66,686	7,915	-	91,760
Fund balances (deficit) - beginning	2,798,964	(86,915)	13,266	-	2,725,315
Fund balances (deficit) - ending	<u>\$ 2,816,123</u>	<u>\$ (20,229)</u>	<u>\$ 21,181</u>	<u>\$ -</u>	<u>\$ 2,817,075</u>

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

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, 2013

Net change in fund balances		\$ 91,760
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Some revenues will not be collected for several months after the Regional Office fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.</p>		
FY 12 deferred revenue recognized in FY 13	\$ (229,207)	
FY 13 revenue deferred	<u>105,690</u>	(123,517)
<p>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.</p>		
Capital outlay	\$ 28,046	
Depreciation	(40,179)	
Loss on disposal of capital assets	(12,315)	
Proceeds on sale of capital assets	<u>(2,000)</u>	(26,448)
<p>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.</p>		
Compensated absences expense	\$ (2,430)	
IMRF net pension expense	<u>(9,477)</u>	<u>(11,907)</u>
Change in net position of governmental activities		<u><u>\$ (70,112)</u></u>

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF NET POSITION
PROPRIETARY FUND

JUNE 30, 2013

	Business-Type Activities- Enterprise Funds
	Workshops Fund
Assets:	
Current assets:	
Due from other governments	\$ 680
Total current assets	680
Noncurrent assets:	
Capital assets, being depreciated, net	1,150
Total noncurrent assets	1,150
Total assets	1,830
Liabilities:	
Current Liabilities:	
Due to other funds	6,635
Total current liabilities	6,635
Noncurrent Liabilities:	
IMRF net pension obligation	4,817
Total liabilities	11,452
Net position	
Invested in capital assets, net of related debt	1,150
Unrestricted	(10,772)
Total net position	\$ (9,622)

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND

For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds
	Workshops Fund
Operating revenues:	
Local sources	\$ 6,316
Total operating revenues	6,316
Operating expenses:	
Purchased services	9,722
Supplies and materials	273
Depreciation	384
Total operating expenses	10,379
Operating (loss)	(4,063)
Change in net position	(4,063)
Net position - beginning	(5,559)
Net position - ending	\$ (9,622)

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended June 30, 2013

	Business-Type Activities- Enterprise Funds
	Workshops Fund
Cash flows from operating activities:	
Receipts from customers	\$ 11,101
Payments to suppliers and providers of goods and services	(10,025)
Net cash provided by operating activities	1,076
Cash flows from noncapital financing activities:	
Payments for interfund borrowing, net	(1,076)
Net cash (used for) noncapital financing activities	(1,076)
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents - beginning	-
Cash and cash equivalents - ending	\$ -
Reconciliation of operating (loss) to net cash provided by (used for) operating activities:	
Operating (loss)	\$ (4,063)
Adjustments to reconcile operating (loss) to net cash provided by (used for) operating activities:	
Depreciation	384
Change in assets and liabilities:	
Decrease in due from other governments	4,785
(Decrease) in accounts payable	(30)
Net cash provided by operating activities	\$ 1,076

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 60,843
Due from other governments	<u>2,833,118</u>
Total Assets	<u>\$ 2,893,961</u>
Liabilities	
Due to other governments	<u>\$ 2,893,961</u>
Total Liabilities	<u>\$ 2,893,961</u>

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Regional Office of Education #2 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

This summary of significant accounting policies of the Regional Office of Education #2 is presented to assist in understanding the Regional Office of Education #2's financial statements. The financial statements and notes are representations of the Regional Office of Education #2's management who is responsible for the integrity and objectivity of the financial statements. The Illinois Administrative Code, Title 23 - Subtitle A, Chapter 1, Section 110.115a, requires each Regional Office of Education to prepare annual financial statements in conformity with accounting principles generally accepted in the United States of America. These principles have been consistently applied in the preparation of the financial statements.

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; to serve as the official advisor and assistant of school officers and teachers; to conduct teachers institutes as well as to aid and encourage the formation of other teachers' meetings and assist in their management; evaluate the schools in the region; examine evidence of indebtedness; file and keep the returns of elections required to be returned to the Regional Superintendent's office; and file and keep the reports and statements returned by school treasurers and trustees.

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education #2's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

The Regional Superintendent is responsible for inspection and approval or rejection of school treasurer's bonds. The Regional Superintendent is also required to provide the State Board of Education with an affidavit showing that the treasurers of school districts 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 Regional Office of Education #2, or see that no payments are made unless the treasurer has filed or renewed appropriate bonds and that the district has certified publication of the annual financial report. The Regional Superintendent is required to provide opinions and advice related to controversies under school law.

For the period ended June 30, 2013, the Regional Office of Education #2 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 #2. Such activities are reported as a single major special revenue fund (Education Fund).

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SCOPE OF THE REPORTING ENTITY

The Regional Office of Education #2's reporting entity includes all related organizations for which they exercise oversight responsibility.

The Regional Office of Education #2 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the Regional Office of Education #2, 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 #2 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.

Other districts and joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the Regional Office of Education #2 does not control the assets, operations, or management of the districts or joint agreements. In addition, the Regional Office of Education #2 is not aware of any entity, which would exercise such oversight as to result in the Regional Office of Education #2 being considered a component unit of the entity.

NEW ACCOUNTING PRONOUNCEMENTS

In 2013, the Regional Office of Education #2 implemented Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*; and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Regional Office of Education #2 implemented these standards during the current year; however, GASB Statement No. 60, and GASB Statement No. 61 had no impact on the financial statements. The implementation of GASB Statements No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

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 #2'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 #2 has one business-type activity that relies on fees and charges for support.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The Regional Office of Education #2's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Regional Office of Education #2. These statements are presented on an "economic resources" measurement focus as prescribed by GASB Statement No. 34. All of the Regional Office of Education #2'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, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and proprietary 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 and between governmental funds and proprietary funds appear as due to/due from on the governmental fund Balance Sheet and proprietary fund Statement of Net Position and as other sources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and on the proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Position. All interfund transactions between governmental funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and business-type funds remain as due to/due from on the government-wide financial statements.

All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities.

The purpose of interfund borrowing and permanent transfers is to cover temporary or permanent short falls in cash flow within grant programs and funds.

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 non-major 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 and the net position and changes in net position presented in the government-wide financial statements.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUND FINANCIAL STATEMENTS (Continued)

The governmental fund financial statements have been prepared in accordance with generally accepted accounting principles on the modified accrual basis. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenue received more than 60 days after the end of the current period is deferred in the governmental fund financial statements but is recognized as current revenue 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.

Revenue received after the Regional Office's availability period are reported as deferred revenue in the fund statements and are reported as current revenue in the Statement of Activities.

PROPRIETARY FUND FINANCIAL STATEMENTS

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and nonmajor funds aggregated.

The proprietary fund is accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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. Their 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.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Regional Office of Education #2; 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.

Under the terms of grant agreements, Regional Office of Education #2 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. It is Regional Office of Education #2's policy to first apply restricted funds to such programs, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned, if any.

FUND ACCOUNTING

The Regional Office of Education #2 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 #2 uses governmental, proprietary, and fiduciary funds.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the Regional Office of Education #2 are typically reported. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as a fund balance.

As prescribed by GASB 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, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for the fund type, and 2) total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and proprietary funds combined. Funds that do not meet the major fund determination requirements are reported in aggregate as nonmajor funds. The Regional Office of Education #2 has presented all major funds that met the above qualifications.

The Regional Office of Education #2 reports the following major governmental funds:

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

General State Aid - This fund accounts for unrestricted funding used to support the Regional Safe Schools, Truants Alternative/ Optional Education, and Adult Education Programs.

Office Fund - This fund accounts for monies received from each of the five counties in the region for salaries, benefits, utilities, supplies, etc. of the Regional Office of Education #2.

Director's Fund - This fund accounts for the interest monies earned from the Distributive Fund which are used for the benefit of the Regional Office of Education #2 and its schools.

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 and capital projects. Major special revenue funds include the following:

Education - 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:

Adult Education - This fund accounts for monies received from the Illinois Community College Board (ICCB) for academic and vocational adult education programs including the following:

Federal Basic - This fund accounts for federal monies received from the ICCB which provide for adult basic education (GED) services for adult education clients.

General Revenue - This fund accounts for monies accumulated over 35+ years from varying sources in order to support all functions of the Regional Office of Education #2's adult education program.

Performance - This fund accounts for State monies received from the ICCB that can be used for any purpose that supports the adult education program.

Public Assistance - This fund accounts for State funds received from the ICCB for vocational training for adult education clients including computer and certified nurse assistant classes.

Adult State 3-1 - This fund accounts for State funds received from the ICCB for vocational training and can be used the same as Public Assistance funds.

Flexible Funding for Wraparound Plans - This fund provides services to at-risk clients from funds received from the Department of Children and Family Services.

Grow Your Own FOCUS Grant - This fund accounts for receipts and expenses pertaining to the Grow Your Own Teachers program.

Gifted Education - The purpose of this grant is to provide services, including professional development to teachers, to gifted students.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

Kids in School (DHS) - This fund provides head lice shampoo and supplies to families who can't afford them in order to get their children back into school.

McKinney Education for Homeless Children - The fund provides educational services and strives to heighten community awareness of the need to serve the homeless population.

Mentoring New Principals - This fund provides mentoring services for new principals.

Miscellaneous Grant Funds - This fund accounts for the revenue and expenditures of various federal, State, and local grant funds. For fiscal year 2013 revenues and expenditures related to the IASA Job Bank were reported in this fund.

Regional Safe Schools - This fund provides instruction services and materials for safe school students referred to the Regional Office of Education #2 from local school districts.

Regional Office of Education/Intermediate Service Centers (ROE/ISC) Operations - This fund accounts for the grant monies received for and in payment of expenditures for assisting schools in all areas of school improvement.

Secretary of State Adult Volunteer Literacy - This fund provides volunteer tutoring services to individuals in the Regional Office of Education #2 area.

Service Fund - This fund accounts for local Masonic scholarship funds to provide scholarships to local high school graduates.

System of Support Title I - School Improvement and Accountability - This fund supports the improvement of basic programs operated by the Regional Office of Education #2 by providing professional development for data analysis, school improvement plan/development, standards-aligned curriculum/instruction, and classroom assessment to System of Support status schools on the Academic Early Warning and Watch.

Title I - Migrant Education & Title I - Migrant Incentive Grant - These programs work with children of migrant families through the summer months to help them retain what was learned in the prior school year.

Title II - Teacher Quality - Leadership Grant - 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/Optional Education - This fund provides alternative educational program services to truant students referred from local schools to the Regional Office of Education #2.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

The Regional Office of Education #2 reports the following nonmajor governmental funds:

Nonmajor Special Revenue Funds - All other special revenue funds not classified under Education Fund are grouped under this fund for financial statement presentation. Nonmajor special revenue funds include the following:

Institute - This fund accounts for teacher certificate registration, issuance and evaluation fees for processing certificates, and expenses for meetings of a professional nature. All funds generated remain restricted until expended only on the aforementioned activities.

Bus Driver Permit - This fund accounts for State and local receipts and expenses as a result of training school district bus drivers.

General Education Development - This fund accounts for the receipts and expenses pertaining to the G.E.D./High School Equivalency program for high school dropouts.

PROPRIETARY FUND

Proprietary Fund- The Proprietary Fund accounts for revenues and expenses related to services provided to organizations inside the Regional Office of Education #2 on a cost reimbursement basis.

The Regional Office of Education #2 reports the following proprietary fund:

Workshops Fund - This fund accounts for the receipts and expenses pertaining to teacher meetings and workshops of a professional nature.

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to account for assets held by the Regional Office of Education #2 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 measurement of results of operations. Agency funds include the following:

Distributive Fund - This fund accounts for the proceeds apportioned to the Region that in turn distributes the proceeds to the member school districts.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUND BALANCES

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

Nonspendable Fund Balance - the portion of a Governmental Fund's net position that are not available to be spent, either short term or long term, due to either their form or legal restrictions. The Regional Office of Education #2 has no nonspendable fund balances.

Restricted Fund Balance - the portion of a Governmental Fund's net position that are subject to external enforceable legal restrictions. The following accounts fund balances are restricted by grant agreements or contracts: Service Fund. The following funds are restricted by Illinois Statute: Institute and General Education Development.

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 #2 has no committed fund balances.

Assigned Fund Balance - the portion of a Governmental Fund's net position to denote an intended use of resources. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The following accounts' fund balances are assigned: General State Aid and Office Fund.

Unassigned Fund Balance - available expendable financial resources in a governmental fund that are not designated for a specific purpose. The Regional Office of Education #2 has unassigned fund balances in the General Fund's Director's Fund. Special revenue funds that present a deficit balance have also been reported as unassigned. These funds include Adult Education - General Revenue, System of Support Title I - School Improvement and Accountability, Title II - Teacher Quality - Leadership Grant, and Bus Driver Permit.

NET POSITION

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

Investment in capital assets - Consists of capital assets, net of accumulated depreciation.

Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.

Unrestricted net position - All other net position that does not meet the definition of "restricted" or "investment in capital assets."

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash on deposit. The Regional Office of Education #2 considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

INVENTORY

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

CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$500 or more and estimated useful lives of greater than two years are recorded at historical cost or estimated historical cost. Contributed assets are recorded 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	5-10 years
Computer Equipment	3-5 years
Other Equipment	5-20 years

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.

BUDGET INFORMATION

The Regional Office of Education #2 acts as the administrative agent for certain grant programs that are accounted for within the Education Fund. These programs have separate budgets and are required to report to the Illinois State Board of Education and Illinois Community College Board; however, none of the annual budgets have been legally adopted, nor are they required to do so. Certain programs within the General Fund and the Special Revenue Funds do not have separate budgets. Comparisons of budgeted and actual results for the following programs are presented as supplementary information: Adult Education - Federal Basic, Adult Education - Performance, Adult Education - Public Assistance, Adult Education - State 3-1, McKinney Education for Homeless Children, Regional Safe Schools, ROE/ISC Operations, Secretary of State Adult Volunteer Literacy Grant, System of Support - Title I School Improvement and Accountability, Title I - Migrant Education, Title I - Migrant Incentive Grant, Title II - Teacher Quality - Leadership Grant and Truants Alternative/Optional Education.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2013

2 DEPOSITS AND INVESTMENTS

The Regional Office of Education #2 does not have a formal investment policy. The Regional Office of Education #2 is allowed to invest in securities as authorized by 30 ILCS 235/2 and 6 and 105 ILCS 5/8-7.

A. DEPOSITS

At June 30, 2013, the carrying amount of the Regional Office of Education #2's government-wide and fiduciary fund deposits were \$2,413,725 and \$60,843 respectively, and the bank balances were \$2,553,412 and \$367,692, respectively. At June 30, 2013, \$500,000 of the Regional Office of Education #2's cash deposits were insured by the Federal Deposit Insurance Corporation. Another \$2,027,810 was collateralized by securities pledged by the Regional Office of Education #2's financial institutions in the name of the Regional Office. The Illinois Funds Money Market accounts had a total balance of \$62,467 at June 30, 2013. This amount is fully collateralized and not subject to credit risk. Finally, another \$330,827 was uncollateralized.

B. INVESTMENTS

As of June 30, 2013, the Regional Office of Education #2 had investments with carrying and fair value of \$338,583 invested in certificates of deposit. Of this amount \$330,000 was insured by the Federal Deposit Insurance Corporation and the remaining \$8,583 was collateralized by securities pledged by the Regional Office of Education #2's financial institutions in the name of the Regional Office.

C. RISK DISCLOSURES

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, the Regional Office of Education's deposits may not be returned to it. The Regional Office of Education #2 does not have a deposit policy for custodial credit risk but follows the Public Funds Investment Act (30 ILCS 235/2 and 6), and Section 8-7 of the School Code.

CREDIT RISK

At June 30, 2013, 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 provisions of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

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.

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.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2013

3 DEFINED BENEFIT PENSION PLAN - ILLINOIS MUNICIPAL RETIREMENT FUND

A. PLAN DESCRIPTION

The Regional Office of Education #2'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 #2'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.

B. FUNDING POLICY

As set by statute, the Regional Office of Education #2's Regular plan members are required to contribute 4.50% 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 2012 used by the employer was 11.04 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2012 was 14.51 percent. The Regional Office of Education #2 also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

C. ANNUAL PENSION COST

For calendar year ending December 31, 2012, the Regional Office of Education #2's actual contributions for pension cost for the Regular plan were \$36,282. Its required contribution for calendar year 2012 was \$47,686. The total net pension obligation of \$52,510 at June 30, 2013, has been adjusted for accrued interest and annual amortization of the prior year net pension obligation.

Three-Year Trend Information for the Regular Plan:

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2012	\$ 47,686	76%	\$ 52,510 *
12/31/2011	58,160	60%	43,033
12/31/2010	51,184	59%	20,840

* Net pension obligation as of June 30, 2013

The required contribution for 2012 was determined as part of the December 31, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, included (a) 7.5% 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 Regional Office of Education #2'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 #2's Regular plan's unfunded actuarial accrued liability at December 31, 2010 is being amortized as a level percentage of projected payroll on an open 10 year basis.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2013

3 DEFINED BENEFIT PENSION PLAN - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

D. FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2012, the most recent actuarial valuation date, the Regular plan was 79.01 percent funded. The actuarial accrued liability for benefits was \$955,053 and the actuarial value of assets was \$754,563, resulting in an underfunded actuarial accrued liability (UAAL) of \$200,490. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$328,645 and the ratio of the UAAL to the covered payroll was 61 percent.

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

4 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

The Regional Office of Education #2 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago.

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

TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2013, was 9.4% of creditable earnings. The same contribution rate applies to members whose first contributing service is on or after January 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4% for the years ended June 30, 2012 and 2011.

The State of Illinois makes contributions directly to TRS on behalf of the Regional Office of Education #2's TRS-covered employees.

ON BEHALF CONTRIBUTIONS TO TRS

The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #2. For the year ended June 30, 2013, the State of Illinois contributions were based on 28.05 percent of creditable earnings not paid from federal funds, and the Regional Office of Education #2 recognized revenue and expenditures of \$118,146 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2012 and June 30, 2011, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 24.91 percent (\$95,709) and 23.10 percent (\$90,560), respectively.

The Regional Office of Education #2 makes other types of employer contributions directly to TRS.

2.2 FORMULA CONTRIBUTIONS

Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ending June 30, 2013 were \$1,785. Contributions for the years ending June 30, 2012, and June 30, 2011, were \$1,608 and \$1,969, respectively.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2013

4 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

FEDERAL AND SPECIAL TRUST FUND CONTRIBUTIONS

When TRS members are paid from federal and special trust funds administered by the Regional Office of Education #2, there is a statutory requirement for the Regional Office of Education #2 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS.

For the year ended June 30, 2013, the employer pension contribution was 28.05 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2012 and 2011, the employer pension contribution was 24.91 and 23.10 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2013, salaries totaling \$82,333 were paid from federal and special trust funds that required employer contributions of \$23,094. For the years ended June 30, 2012 and June 30, 2011, required Regional Office of Education #2 contributions were \$20,738 and \$26,076, respectively.

EARLY RETIREMENT OPTION (ERO)

The Regional Office of Education #2 is also required to make one-time employer contributions to TRS for members retiring under the early retirement option (ERO). The payments vary depending on the age and salary of the member.

The maximum employer ERO contribution is 117.5 percent and applies when the member is age 55 at retirement.

For the years ended June 30, 2013, 2012 and 2011, the Regional Office of Education #2 paid no employer ERO contributions.

SALARY INCREASES OVER 6 PERCENT AND EXCESS SICK LEAVE

If the Regional Office of Education #2 grants salary increases over 6 percent and those salaries are used to calculate a retiree's final average salary, the Regional Office of Education #2 makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases of up to 6 percent.

For the years ended June 30, 2013, 2012 and 2011, the Regional Office of Education #2 paid no TRS for employer contributions due on salary increases in excess of 6 percent.

If the Regional Office of Education #2 grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the Regional Office of Education #2 makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary rate reported by the granting employer during the four-year sick leave period, and the TRS total normal cost rate (17.63 percent of salary during the year ended June 30, 2013).

For the years ended June 30, 2013, 2012 and 2011, the Regional Office of Education #2 paid no employer contributions to TRS for sick leave days granted in excess of normal annual allotment.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2013

4 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

FURTHER INFORMATION ON TRS

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and State funding requirements can be found in the TRS Comprehensive Annual Financial Report for the year ended June 30, 2012. The report for the year ended June 30, 2013, is expected to be available in late 2013.

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

5 TEACHER HEALTH INSURANCE SECURITY FUND

The Regional Office of Education #2 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants may participate in the State administered participating provider option plan or choose from several managed care options.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the State to make a contribution to THIS Fund.

The percentage of employer required contributions in the future will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year.

ON BEHALF CONTRIBUTIONS TO THIS FUND

The State of Illinois makes employer retiree health insurance contributions on behalf of the Regional Office of Education #2. State contributions are intended to match contributions to the THIS Fund from active members which were 0.92 percent of pay during the year ended June 30, 2013. State of Illinois contributions were \$2,831 and the Regional Office of Education #2 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2012 and June 30, 2011 were 0.88 percent of pay, both years. State contributions on behalf of the Regional Office of Education #2 employees were \$2,440 and \$2,735, respectively.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2013

5 TEACHER HEALTH INSURANCE SECURITY FUND (Continued)

EMPLOYER CONTRIBUTIONS TO THIS FUND

The Regional Office of Education #2 also makes contributions to THIS Fund. The Regional Office of Education #2's contribution was 0.69 percent during the year ended June 30, 2013, and 0.66 percent during the years ended June 30, 2012 and June 30, 2011. For the year ended June 30, 2013, the Regional Office of Education #2 paid \$2,124 to the THIS Fund. For the years ended June 30, 2012 and 2011, the Regional Office of Education #2 paid \$1,830 and \$2,149 to the THIS Fund, respectively, which was 100 percent of the required contribution.

FURTHER INFORMATION ON THIS FUND

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General: <http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>. The 2013 report is listed under "Central Management Services." Prior reports are available under "Healthcare and Family Services."

6 ON BEHALF PAYMENTS

The State of Illinois paid the following salaries and benefits on behalf of the Regional Office of Education #2:

Regional Superintendent Salary	\$ 103,032
Regional Superintendent Fringe Benefit (Includes State paid insurance)	24,322
Assistant Regional Superintendent Salary	92,736
Assistant Regional Superintendent Fringe Benefit (Includes State paid insurance)	23,698
Contributions to TRS and THIS	<u>120,977</u>
Total	<u><u>\$ 364,765</u></u>

Salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education. These amounts have been recorded in the accompanying financial statements as State revenue and expenditures.

7 RISK MANAGEMENT

The Regional Office of Education #2 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. Regional Office of Education #2 has purchased commercial insurance to cover these risks. During the year ended June 30, 2013, there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

8 OPERATING LEASE

The Regional Office of Education #2 has entered into operating lease agreements for office facilities. During the year ended June 30, 2013 rentals under lease obligations were \$4,655. The only significant lease during fiscal year 2013 was a lease of office space with monthly payments of \$263 through September 30, 2013. Future minimum rentals under this lease are as follows for the year ending June 30:

2014	<u><u>\$ 789</u></u>
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REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2013

9 CAPITAL ASSETS

In accordance with GASB Statement No. 34, the Regional Office of Education #2 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 capital assets for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
General Fund				
General State Aid	\$ 12,227	\$ 9,200	\$ 3,610	17,817
Office Fund	6,193	-	-	6,193
Director's Fund	-	13,083	-	13,083
Total for General Fund	<u>18,420</u>	<u>22,283</u>	<u>3,610</u>	<u>37,093</u>
Education Fund				
Adult Education - Federal Basic	45,622	-	16,052	29,570
Adult Education - General Revenue	118,708	5,763	14,198	110,273
Adult Education - Performance	103,295	-	29,147	74,148
Adult Education - Public Assistance	12,435	-	5,434	7,001
Adult Education - State 3-1	82,048	-	9,194	72,854
Area 6 Tech Hub	2,696	-	1,297	1,399
Breakfast Grant	548	-	-	548
DCEO Grant - Eliminate the Digital Divide	3,600	-	3,600	-
Federal Special Ed - IDEA Discretionary	6,886	-	3,600	3,286
Near and Far Sciences in Illinois	5,600	-	5,600	-
Reading First - Academics	5,173	-	5,173	-
Regional Safe Schools	77,580	-	56,963	20,617
ROE/ISC Operations	302,299	-	-	302,299
SOS FY05 Title V	2,949	-	-	2,949
SOS Title II	4,995	-	-	4,995
RESPRO Title I	8,378	-	-	8,378
State Aid - Federal ARRA	8,391	-	-	8,391
Title IV - School & Drug Free/ Violence Prevention	3,873	-	-	3,873
Total for Education Fund	<u>795,076</u>	<u>5,763</u>	<u>150,258</u>	<u>650,581</u>
Total - Governmental Funds	813,496	28,046	153,868	687,674
Less: Accumulated Depreciation	<u>700,294</u>	<u>40,179</u>	<u>139,553</u>	<u>600,920</u>
Investment in Capital Assets, Net Governmental Activities	<u>\$ 113,202</u>	<u>\$ (12,133)</u>	<u>\$ 14,315</u>	<u>\$ 86,754</u>
Business-Type Activities:				
Workshops Fund	\$ 17,410	\$ -	\$ 3,090	\$ 14,320
Less: Accumulated Depreciation	<u>15,876</u>	<u>384</u>	<u>3,090</u>	<u>13,170</u>
Investment in Capital Assets, Net	<u>\$ 1,534</u>	<u>\$ (384)</u>	<u>\$ -</u>	<u>\$ 1,150</u>

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2013

9 CAPITAL ASSETS (Continued)

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense of \$40,179 and \$384 was charged to the governmental activities and business-type activities, respectively, on the government-wide Statement of Activities for the year ended June 30, 2013. Investment in capital assets is the component of net position that reports capital assets net of accumulated depreciation.

10 DISTRIBUTIVE FUND INTEREST

A written agreement between the Regional Office of Education #2's school boards, which receive funds through the Regional Office of Education #2, provides for the retention of interest earned on the State Distributive Fund checking account by the Regional Superintendent to be used for the benefit of all of the districts in the region. During the year the distributive fund earned interest of \$3,443. At June 30, 2013 all accumulated interest had been distributed.

11 OTHER POSTEMPLOYMENT COMMITMENTS

The Regional Office of Education #2 has evaluated its potential other post employment benefits liability. Based on this evaluation, the Regional Office of Education #2 determined that they offer no health insurance plan for current or former employees. 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 Postretirement Benefits Other than Pensions*. Therefore, the Regional Office of Education #2 has not recorded any post employment benefit liability as of June 30, 2013.

12 LONG-TERM LIABILITIES

COMPENSATED ABSENCES

Vacation pay and sick pay are considered expenditures in the year paid. An employee may accumulate an unlimited number of vacation days for use in future years; however, upon termination, with a few exceptions, employees will only be paid a maximum of twenty days. At June 30, 2013, the liability for unused vacation days was \$13,751, and is shown on the Statement of Net Position. The net increase in the amount of vacation pay that was earned by the Regional Office of Education #2's employees in the current year was \$2,430. Accumulated sick pay benefits are available to all full-time employees to use in future years. Unused sick pay is limited to a maximum of 48 days. Upon termination, the employee is not compensated for any unused sick days; therefore, no accruals or reserves have been established.

ILLINOIS MUNICIPAL RETIREMENT FUND NET PENSION OBLIGATION

The Regional Office of Education #2 reported a net pension obligation of \$52,510 at June 30, 2013 with the Illinois Municipal Retirement Fund. Of this amount, \$47,693 is recorded in the governmental activities, and \$4,817 is recorded in the business-type activities. See Note #3 for additional information regarding the Illinois Municipal Retirement Fund defined benefit pension plan.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2013

13 INTERFUND ACTIVITY

TRANSFERS IN/OUT

Interfund transfers in/out to other funds at June 30, 2013 consist of the following individual transfers in/out to other funds in the fund statements. The transfer balances between governmental funds were eliminated in the government-wide Statement of Activities; however, the transfers between the governmental funds and the business-type funds were not eliminated.

	Transfers In	Transfers Out
Education Fund		
Adult Education	\$ 1	\$ -
General Fund		
General State Aid	-	1
Total	\$ 1	\$ 1

DUE TO/FROM OTHER FUNDS

Interfund due to/from other fund balances at June 30, 2013 consist of the following individual due to/from other funds in the governmental fund Balance Sheet and proprietary fund Statement of Net Position. These balances were eliminated in the government-wide Statement of Net Position. Interfund loans were made for the purpose of providing cash to funds that were awaiting reimbursements from grantors.

Fund	Due From Other Funds	Due To Other Funds
General Fund		
Director's Fund	\$ 109,131	\$ -
General State Aid	-	1,131
Special Revenue Funds		
Nonmajor Special Revenue Funds		
Bus Driver Permit	-	5,371
Education Fund		
McKinney Education for Homeless Children	-	6,309
Regional Safe Schools	-	4,879
ROE/ISC Operations	-	2,123
System of Support Title I - School Improvement and Accountability	-	27,795
Title I Migrant Education	-	16,032
Title I Migrant Incentive Grant	-	2,239
Title II - Teacher Quality - Leadership Grant	-	9,980
Truants Alternative/Optional Education	-	10,325
Adult Education - General Revenue	-	4,607
Adult Education - Performance	-	4,079
Adult Education - Public Assistance	-	1,210
Adult Education - State 3-1	-	6,416
Enterprise Funds		
Workshops Fund	-	6,635
Total	\$ 109,131	\$ 109,131

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2013

14 DUE TO/FROM OTHER GOVERNMENTS

The Regional Office of Education #2's Education Fund, General Fund, Nonmajor Fund, Proprietary Fund, Agency Fund and various grant programs have funds due from/to various other governmental units which consist of the following:

Due from Other Governments:

General Fund	
Local Governments	\$ 81,667
Illinois State Board of Education	
Special Revenue Fund - Education Fund	
Illinois State Board of Education	103,850
Illinois Community College Board	11,705
Proprietary Fund	
Local Governments	680
Fiduciary Fund - Distributive Fund	
Local Governments	<u>2,833,118</u>
Total	<u>\$ 3,031,020</u>

Due to Other Governments:

Fiduciary Fund - Distributive Fund	
Local School Districts	<u>\$ 2,893,961</u>
Total	<u>\$ 2,893,961</u>

15 OTHER REQUIRED FUND DISCLOSURES

Deficit fund balances at June 30, 2013, are as follows:

Special Revenue Funds	
Education Fund	
Adult Education - General Revenue	\$ (610)
Title II - Teacher Quality - Leadership Grant	(920)
System of Support Title I - School Improvement and Accountability	(23,103)
Nonmajor Special Revenue Funds	
Bus Driver Permit	(5,528)

16 SUBSEQUENT EVENTS

As a result of Public Act 97-703, the State of Illinois will reduce the number of regional offices of education through consolidation. The Regional Office of Education #2 has agreements in place that combine Johnson, Massac, Franklin, and Williamson counties into a new region and Alexander, Pulaski, Union, Jackson, and Perry counties into a new region beginning July 1, 2015.

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

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS
(UNAUDITED)

JUNE 30, 2013

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)
12/31/12	\$ 754,563	\$ 955,053	\$ 200,490	79.01%	\$ 328,645	61.01%
12/31/11	985,463	1,137,872	152,409	86.61%	347,225	43.89%
12/31/10	920,587	1,089,025	168,438	84.53%	333,447	50.51%

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$798,301.

On a market basis, the funded ratio would be 83.59%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

See accompanying Independent Auditors' Report.

SUPPLEMENTAL INFORMATION

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND

JUNE 30, 2013

	General State Aid	Office Fund	Director's Fund	Total
Assets				
Cash and cash equivalents	\$ 2,319,019	\$ 43,015	\$ 12,896	\$ 2,374,930
Investments	338,583	-	-	338,583
Due from other funds	-	-	109,131	109,131
Due from other governments				
Local	-	81,667	-	81,667
	<u>2,657,602</u>	<u>124,682</u>	<u>122,027</u>	<u>2,904,311</u>
Total assets	\$ 2,657,602	\$ 124,682	\$ 122,027	\$ 2,904,311
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 4,232	\$ 1,158	\$ -	\$ 5,390
Due to other funds	1,131	-	-	1,131
Deferred revenue	-	81,667	-	81,667
	<u>5,363</u>	<u>82,825</u>	<u>-</u>	<u>88,188</u>
Total liabilities	5,363	82,825	-	88,188
Fund balance				
Assigned	2,652,239	41,857	-	2,694,096
Unassigned	-	-	122,027	122,027
	<u>2,652,239</u>	<u>41,857</u>	<u>122,027</u>	<u>2,816,123</u>
Total fund balance	2,652,239	41,857	122,027	2,816,123
Total liabilities and fund balance	\$ 2,657,602	\$ 124,682	\$ 122,027	\$ 2,904,311

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

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

For the Year Ended June 30, 2013

	General State Aid	Office Fund	Director's Fund	Total
Revenues				
Local sources	\$ 13,885	\$ 29,222	\$ 12,483	\$ 55,590
State sources	386,154	-	-	386,154
State sources-payments made on behalf of region	-	-	364,765	364,765
Federal sources	22,576	-	-	22,576
	<u>422,615</u>	<u>29,222</u>	<u>377,248</u>	<u>829,085</u>
Total revenues				
Expenditures				
Salaries and benefits	75,484	163,341	822	239,647
Purchased services	59,623	58,838	18,255	136,716
Supplies and materials	30,836	29,696	3,549	64,081
Capital outlay	9,200	-	13,083	22,283
Payments made on behalf of region	-	-	364,765	364,765
	<u>175,143</u>	<u>251,875</u>	<u>400,474</u>	<u>827,492</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>247,472</u>	<u>(222,653)</u>	<u>(23,226)</u>	<u>1,593</u>
Other financing sources (uses)				
Transfers out	(1)	-	-	(1)
Interest	11,888	221	3,458	15,567
	<u>11,887</u>	<u>221</u>	<u>3,458</u>	<u>15,566</u>
Total other financing sources (uses)				
Net change in fund balances	259,359	(222,432)	(19,768)	17,159
Fund balance - beginning	<u>2,392,880</u>	<u>264,289</u>	<u>141,795</u>	<u>2,798,964</u>
Fund balance - ending	<u>\$ 2,652,239</u>	<u>\$ 41,857</u>	<u>\$ 122,027</u>	<u>\$ 2,816,123</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND

JUNE 30, 2013

	Adult Education	Flexible Funding for Wraparound Plans	Grow Your Own FOCUS Grant	Gifted Education
Assets				
Cash and cash equivalents	\$ 3,997	\$ -	\$ -	\$ -
Due from other governments				
State	11,705	-	-	-
Total assets	\$ 15,702	\$ -	\$ -	\$ -
Liabilities and fund balance (deficit)				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	16,312	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	16,312	-	-	-
Fund balance (deficit)				
Restricted	-	-	-	-
Unassigned	(610)	-	-	-
Total fund balance (deficit)	(610)	-	-	-
Total liabilities and fund balance (deficit)	\$ 15,702	\$ -	\$ -	\$ -

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See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND

JUNE 30, 2013

	Kids in School (DHS)	McKinney Education for Homeless Children	Mentoring New Principals	Miscellaneous Grant Funds	Regional Safe Schools
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments					
State	-	6,309	-	-	4,879
	<u>-</u>	<u>6,309</u>	<u>-</u>	<u>-</u>	<u>4,879</u>
Total assets	<u>\$ -</u>	<u>\$ 6,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,879</u>
Liabilities and fund balance (deficit)					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	6,309	-	-	4,879
Deferred revenue	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>6,309</u>	<u>-</u>	<u>-</u>	<u>4,879</u>
Fund balance (deficit)					
Restricted	-	-	-	-	-
Unassigned	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance (deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance (deficit)	<u>\$ -</u>	<u>\$ 6,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,879</u>

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND

JUNE 30, 2013

	ROE/ISC Operations	Secretary of State Adult Volunteer Literacy	Service Fund	System of Support Title I - School Improvement and Accountability	Title I Migrant Education
Assets					
Cash and cash equivalents	\$ -	\$ 650	\$ 7,204	\$ -	\$ -
Due from other governments State	2,123	-	-	50,898	16,032
Total assets	\$ 2,123	\$ 650	\$ 7,204	\$ 50,898	\$ 16,032
Liabilities and fund balance (deficit)					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 23,103	\$ -
Due to other funds	2,123	-	-	27,795	16,032
Deferred revenue	-	650	2,800	23,103	-
Total liabilities	2,123	650	2,800	74,001	16,032
Fund balance (deficit)					
Restricted	-	-	4,404	-	-
Unassigned	-	-	-	(23,103)	-
Total fund balance (deficit)	-	-	4,404	(23,103)	-
Total liabilities and fund balance (deficit)	\$ 2,123	\$ 650	\$ 7,204	\$ 50,898	\$ 16,032

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND

JUNE 30, 2013

	Title I Migrant Incentive Grant	Title II Teacher Quality Leadership Grant	Truants Alternative/ Optional Education	Total
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 11,851
Due from other governments				
State	2,239	11,045	10,325	115,555
Total assets	\$ 2,239	\$ 11,045	\$ 10,325	\$ 127,406
Liabilities and fund balance (deficit)				
Liabilities				
Accounts payable	\$ -	\$ 1,065	\$ -	\$ 24,168
Due to other funds	2,239	9,980	10,325	95,994
Deferred revenue	-	920	-	27,473
Total liabilities	2,239	11,965	10,325	147,635
Fund balance (deficit)				
Restricted	-	-	-	4,404
Unassigned	-	(920)	-	(24,633)
Total fund balance (deficit)	-	(920)	-	(20,229)
Total liabilities and fund balance (deficit)	\$ 2,239	\$ 11,045	\$ 10,325	\$ 127,406

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See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

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

For the Year Ended June 30, 2013

	Adult Education	Flexible Funding for Wraparound Plans	Grow Your Own FOCUS Grant	Gifted Education
Revenues				
Local sources	\$ 15,669	\$ -	\$ 12,027	\$ -
State sources	160,741	1,620	-	220
Federal sources	73,882	-	-	-
Total revenues	<u>250,292</u>	<u>1,620</u>	<u>12,027</u>	<u>220</u>
Expenditures				
Salaries and benefits	220,395	-	11,456	-
Purchased services	34,383	-	-	-
Supplies and materials	16,639	1,620	572	221
Payments to other governments	-	-	-	-
Capital outlay	5,763	-	-	-
Total expenditures	<u>277,180</u>	<u>1,620</u>	<u>12,028</u>	<u>221</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,888)</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Other financing sources (uses):				
Transfer in	1	-	-	-
Interest	162	-	1	1
Total other financing sources (uses)	<u>163</u>	<u>-</u>	<u>1</u>	<u>1</u>
Net change in fund balances	(26,725)	-	-	-
Fund balance (deficit) - beginning	<u>26,115</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) - ending	<u>\$ (610)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI AND UNION COUNTIES

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

For the Year Ended June 30, 2013

	Kids in School (DHS)	McKinney Education for Homeless Children	Mentoring New Principals	Miscellaneous Grant Funds	Regional Safe Schools
Revenues					
Local sources	\$ -	\$ -	\$ -	\$ 4,183	\$ -
State sources	435	-	12,279	-	53,649
Federal sources	-	22,366	-	-	-
Total revenues	435	22,366	12,279	4,183	53,649
Expenditures					
Salaries and benefits	-	11,353	12,208	-	49,531
Purchased services	-	4,674	112	2,200	2,162
Supplies and materials	435	2,007	-	1,985	1,956
Payments to other governments	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	435	18,034	12,320	4,185	53,649
Excess (deficiency) of revenues over (under) expenditures	-	4,332	(41)	(2)	-
Other financing sources (uses):					
Transfer in	-	-	-	-	-
Interest	-	-	12	2	-
Total other financing sources (uses)	-	-	12	2	-
Net change in fund balances	-	4,332	(29)	-	-
Fund balance (deficit) - beginning	-	(4,332)	29	-	-
Fund balance (deficit) - ending	\$ -	\$ -	\$ -	\$ -	\$ -

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

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

For the Year Ended June 30, 2013

	ROE/ISC Operations	Secretary of State Adult Volunteer Literacy	Service Fund	System of Support Title I - School Improvement & Accountability	Title I Migrant Education
Revenues					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	25,476	31,010	-	-	-
Federal sources	-	-	-	514,968	54,769
Total revenues	<u>25,476</u>	<u>31,010</u>	<u>-</u>	<u>514,968</u>	<u>54,769</u>
Expenditures					
Salaries and benefits	24,981	31,013	-	149,366	39,183
Purchased services	495	-	-	30,493	3,870
Supplies and materials	-	-	-	17,795	7,827
Payments to other governments	-	-	-	231,230	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>25,476</u>	<u>31,013</u>	<u>-</u>	<u>428,884</u>	<u>50,880</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>86,084</u>	<u>3,889</u>
Other financing sources (uses):					
Transfer in	-	-	-	-	-
Interest	-	3	11	-	-
Total other financing sources (uses)	<u>-</u>	<u>3</u>	<u>11</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>11</u>	<u>86,084</u>	<u>3,889</u>
Fund balance (deficit) - beginning	<u>-</u>	<u>-</u>	<u>4,393</u>	<u>(109,187)</u>	<u>(3,889)</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,404</u>	<u>\$ (23,103)</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

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

For the Year Ended June 30, 2013

	Title I Migrant Incentive Grant	Title II Teacher Quality Leadership Grant	Truants Alternative/ Optional Education	Total
Revenues				
Local sources	\$ -	\$ -	\$ -	\$ 31,879
State sources	-	-	113,584	399,014
Federal sources	3,851	10,125	-	679,961
Total revenues	<u>3,851</u>	<u>10,125</u>	<u>113,584</u>	<u>1,110,854</u>
Expenditures				
Salaries and benefits	-	-	75,655	625,141
Purchased services	-	2,900	5,348	86,637
Supplies and materials	3,807	145	2,296	57,305
Payments to other governments	-	8,000	30,290	269,520
Capital outlay	-	-	-	5,763
Total expenditures	<u>3,807</u>	<u>11,045</u>	<u>113,589</u>	<u>1,044,366</u>
Excess (deficiency) of revenues over (under) expenditures	<u>44</u>	<u>(920)</u>	<u>(5)</u>	<u>66,488</u>
Other financing sources (uses):				
Transfer in	-	-	-	1
Interest	-	-	5	197
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5</u>	<u>198</u>
Net change in fund balances	44	(920)	-	66,686
Fund balance (deficit) - beginning	<u>(44)</u>	<u>-</u>	<u>-</u>	<u>(86,915)</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ (920)</u>	<u>\$ -</u>	<u>\$ (20,229)</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
ADULT EDUCATION PROGRAMS

JUNE 30, 2013

	Federal Basic	General Revenue	Performance	Public Assistance	Adult State 3-1	Total
Assets						
Cash and cash equivalents	\$ -	\$ 3,997	\$ -	\$ -	\$ -	\$ 3,997
Due from other governments						
State	-	-	4,079	1,210	6,416	11,705
Total assets	<u>\$ -</u>	<u>\$ 3,997</u>	<u>\$ 4,079</u>	<u>\$ 1,210</u>	<u>\$ 6,416</u>	<u>\$ 15,702</u>
Liabilities and fund balance (deficit)						
Liabilities						
Due to other funds	\$ -	\$ 4,607	\$ 4,079	\$ 1,210	\$ 6,416	\$ 16,312
Total liabilities	<u>-</u>	<u>4,607</u>	<u>4,079</u>	<u>1,210</u>	<u>6,416</u>	<u>16,312</u>
Fund balance (deficit)						
Unassigned	-	(610)	-	-	-	(610)
Total fund balance (deficit)	<u>-</u>	<u>(610)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(610)</u>
Total liabilities and fund balance (deficit)	<u>\$ -</u>	<u>\$ 3,997</u>	<u>\$ 4,079</u>	<u>\$ 1,210</u>	<u>\$ 6,416</u>	<u>\$ 15,702</u>

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See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
ADULT EDUCATION PROGRAMS

For the Year Ended June 30, 2013

	Federal Basic	General Revenue	Performance	Public Assistance	Adult State 3-1	Total
Revenues						
Local sources	\$ -	\$ 15,669	\$ -	\$ -	\$ -	\$ 15,669
State sources	-	-	53,151	16,032	91,558	160,741
Federal sources	73,882	-	-	-	-	73,882
Total revenues	<u>73,882</u>	<u>15,669</u>	<u>53,151</u>	<u>16,032</u>	<u>91,558</u>	<u>250,292</u>
Expenditures						
Salaries and benefits	62,835	33,154	35,489	14,027	74,890	220,395
Purchased services	4,471	14,540	13,447	313	1,612	34,383
Supplies and materials	6,577	9,373	17	180	492	16,639
Capital outlay	-	5,763	-	-	-	5,763
Total expenditures	<u>73,883</u>	<u>62,830</u>	<u>48,953</u>	<u>14,520</u>	<u>76,994</u>	<u>277,180</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1)</u>	<u>(47,161)</u>	<u>4,198</u>	<u>1,512</u>	<u>14,564</u>	<u>(26,888)</u>
Other financing sources						
Transfers in	-	-	1	-	-	1
Interest	1	161	-	-	-	162
Total other financing sources	<u>1</u>	<u>161</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>163</u>
Net change in fund balance	-	(47,000)	4,199	1,512	14,564	(26,725)
Fund balance (deficit) - beginning	-	46,390	(4,199)	(1,512)	(14,564)	26,115
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ (610)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (610)</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ADULT EDUCATION - FEDERAL BASIC

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 73,882	\$ 73,882	\$ 73,882
Total revenues	<u>73,882</u>	<u>73,882</u>	<u>73,882</u>
Expenditures			
Salaries and benefits	56,755	56,755	62,835
Purchased services	9,079	9,079	4,471
Supplies and materials	8,048	8,048	6,577
Total expenditures	<u>73,882</u>	<u>73,882</u>	<u>73,883</u>
(Deficiency) of revenues (under) expenditures	<u>-</u>	<u>-</u>	<u>(1)</u>
Other Financing Sources			
Interest	<u>-</u>	<u>-</u>	<u>1</u>
Total Other financing sources	<u>-</u>	<u>-</u>	<u>1</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance -beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ADULT EDUCATION - PERFORMANCE

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 48,952	\$ 48,952	\$ 53,151
Total revenue	<u>48,952</u>	<u>48,952</u>	<u>53,151</u>
Expenditures			
Salaries and benefits	46,351	46,351	35,489
Purchased services	2,459	2,459	13,447
Supplies and materials	142	142	17
Total expenditures	<u>48,952</u>	<u>48,952</u>	<u>48,953</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>4,198</u>
Other Financing Sources			
Transfer in	<u>-</u>	<u>-</u>	<u>1</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>1</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>4,199</u>
Fund balance (deficit) -beginning	<u>-</u>	<u>-</u>	<u>(4,199)</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ADULT EDUCATION - PUBLIC ASSISTANCE

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 14,520	\$ 14,520	\$ 16,032
Total revenue	<u>14,520</u>	<u>14,520</u>	<u>16,032</u>
Expenditures			
Salaries and benefits	13,970	13,970	14,027
Purchased services	450	450	313
Supplies and materials	<u>100</u>	<u>100</u>	<u>180</u>
Total expenditures	<u>14,520</u>	<u>14,520</u>	<u>14,520</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>1,512</u>
Net change in fund balance	-	-	1,512
Fund balance (deficit) - beginning	<u>-</u>	<u>-</u>	<u>(1,512)</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ADULT EDUCATION - STATE 3-1

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 76,994	\$ 76,994	\$ 91,558
Total revenue	<u>76,994</u>	<u>76,994</u>	<u>91,558</u>
Expenditures			
Salaries and benefits	73,022	73,022	74,890
Purchased services	3,872	3,872	1,612
Supplies and materials	100	100	492
Total expenditures	<u>76,994</u>	<u>76,994</u>	<u>76,994</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>14,564</u>
Net change in fund balance	-	-	14,564
Fund balance (deficit) - beginning	<u>-</u>	<u>-</u>	<u>(14,564)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
MCKINNEY EDUCATION FOR HOMELESS CHILDREN

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
Federal sources	\$ 13,000	\$ 14,666	\$ 22,366
Total revenues	<u>13,000</u>	<u>14,666</u>	<u>22,366</u>
Expenditures			
Salaries and benefits	6,205	7,799	11,353
Purchased services	1,230	1,302	4,674
Supplies and materials	500	500	2,007
Payments to other governments	5,065	5,065	-
Total expenditures	<u>13,000</u>	<u>14,666</u>	<u>18,034</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>4,332</u>
Net change in fund balance	-	-	4,332
Fund balance (deficit) - beginning	<u>-</u>	<u>-</u>	<u>(4,332)</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
REGIONAL SAFE SCHOOLS

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 53,649	\$ 53,649	\$ 53,649
Total revenue	<u>53,649</u>	<u>53,649</u>	<u>53,649</u>
Expenditures			
Salaries and benefits	48,716	48,716	49,531
Purchased services	4,017	4,017	2,162
Supplies and materials	916	916	1,956
Total expenditures	<u>53,649</u>	<u>53,649</u>	<u>53,649</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ROE/ISC OPERATIONS

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 25,476	\$ 25,476	\$ 25,476
Total revenue	<u>25,476</u>	<u>25,476</u>	<u>25,476</u>
Expenditures			
Salaries and benefits	24,377	24,377	24,981
Purchased services	1,099	1,099	495
Total expenditures	<u>25,476</u>	<u>25,476</u>	<u>25,476</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
SECRETARY OF STATE ADULT VOLUNTEER LITERACY GRANT

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 30,000	\$ 30,000	\$ 31,010
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>31,010</u>
Expenditures			
Salaries and benefits	28,040	28,040	31,013
Purchased services	1,500	1,500	-
Supplies and materials	250	250	-
Payments to other governments	210	210	-
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>31,013</u>
(Deficiency) of revenues (under) expenditures	<u>-</u>	<u>-</u>	<u>(3)</u>
Other Financing Sources			
Interest	-	-	3
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>3</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
SYSTEM OF SUPPORT - TITLE I SCHOOL IMPROVEMENT AND ACCOUNTABILITY

For the Year Ended June 30, 2013

	Budgeted Amounts		FY 12	FY 13	Actual Amounts
	Original	Final			
Revenue					
Federal sources	\$ 325,517	\$ 325,517	\$ 212,554	\$ 302,414	\$ 514,968
Total revenue	<u>325,517</u>	<u>325,517</u>	<u>212,554</u>	<u>302,414</u>	<u>514,968</u>
Expenditures					
Salaries and benefits	137,714	137,335	28,282	121,084	149,366
Purchased services	26,026	26,405	3,892	26,601	30,493
Supplies and materials	965	8,965	7,040	10,755	17,795
Payments to other governments	160,812	152,812	64,264	166,966	231,230
Total expenditures	<u>325,517</u>	<u>325,517</u>	<u>103,478</u>	<u>325,406</u>	<u>428,884</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>109,076</u>	<u>(22,992)</u>	<u>86,084</u>
Net change in fund balance	-	-	109,076	(22,992)	86,084
Fund balance (deficit) - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(109,187)</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,103)</u>

Note: The budgeted amounts presented above are for the fiscal year 2013 program only. Fiscal year 2012 actual amounts are presented for additional information only.

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE I - MIGRANT EDUCATION

For the Year Ended June 30, 2013

	Budgeted Amounts		FY 12	FY 13	Actual Amounts
	Original	Final			
Revenue					
Federal	\$ 45,719	\$ 46,578	\$ 38,475	\$ 16,294	\$ 54,769
Total revenue	<u>45,719</u>	<u>46,578</u>	<u>38,475</u>	<u>16,294</u>	<u>54,769</u>
Expenditures					
Salaries and benefits	32,428	33,405	24,930	14,253	39,183
Purchased services	7,955	8,039	2,139	1,731	3,870
Supplies and materials	5,336	5,134	7,517	310	7,827
Total expenditures	<u>45,719</u>	<u>46,578</u>	<u>34,586</u>	<u>16,294</u>	<u>50,880</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>3,889</u>	<u>-</u>	<u>3,889</u>
Net change in fund balance	-	-	3,889	-	3,889
Fund balance (deficit) - beginning	<u>-</u>	<u>-</u>	<u>(3,889)</u>	<u>-</u>	<u>(3,889)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: The budgeted amounts presented above are for the fiscal year 2013 program only. Fiscal year 2012 actual amounts are presented for additional information only.

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE 1 - MIGRANT INCENTIVE

For the Year Ended June 30, 2013

	Budgeted Amounts		FY 12	FY 13	Actual Amounts
	Original	Final			
Revenue					
Federal	\$ 2,500	\$ 2,500	\$ 1,510	\$ 2,341	\$ 3,851
Total revenue	<u>2,500</u>	<u>2,500</u>	<u>1,510</u>	<u>2,341</u>	<u>3,851</u>
Expenditures					
Supplies and materials	<u>2,500</u>	<u>2,500</u>	<u>1,466</u>	<u>2,341</u>	<u>3,807</u>
Total expenditures	<u>2,500</u>	<u>2,500</u>	<u>1,466</u>	<u>2,341</u>	<u>3,807</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>44</u>	<u>-</u>	<u>44</u>
Net change in fund balance	-	-	44	-	44
Fund balance (deficit) - beginning	<u>-</u>	<u>-</u>	<u>(44)</u>	<u>-</u>	<u>(44)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: The budgeted amounts presented above are for the fiscal year 2013 program only. Fiscal year 2012 actual amounts are presented for additional information only.

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE II - TEACHER QUALITY - LEADERSHIP GRANT

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
Federal sources	\$ 11,045	\$ 11,045	\$ 10,125
Total revenue	<u>11,045</u>	<u>11,045</u>	<u>10,125</u>
Expenditures			
Purchased services	2,900	2,900	2,900
Supplies and materials	145	145	145
Payment to other governments	8,000	8,000	8,000
Total expenditures	<u>11,045</u>	<u>11,045</u>	<u>11,045</u>
(Deficiency) of revenues (under) expenditures	<u>-</u>	<u>-</u>	<u>(920)</u>
Net change in fund balance	-	-	(920)
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (920)</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TRUANTS ALTERNATIVE/OPTIONAL EDUCATION

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 113,584	\$ 113,584	\$ 113,584
Total revenue	<u>113,584</u>	<u>113,584</u>	<u>113,584</u>
Expenditures			
Salaries and benefits	89,905	76,151	75,655
Purchased services	9,612	5,641	5,348
Supplies and materials	3,100	2,025	2,296
Payments to other governments	10,967	29,767	30,290
Total expenditures	<u>113,584</u>	<u>113,584</u>	<u>113,589</u>
(Deficiency) of revenues (under) expenditures	<u>-</u>	<u>-</u>	<u>(5)</u>
Other Financing Sources			
Interest	<u>-</u>	<u>-</u>	<u>5</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>5</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2013

	Institute	Bus Driver Permit	General Education Development	Total
Assets				
Cash and cash equivalents	\$ 19,121	\$ -	\$ 7,823	\$ 26,944
Total assets	<u>\$ 19,121</u>	<u>\$ -</u>	<u>\$ 7,823</u>	<u>\$ 26,944</u>
Liabilities and fund balance (deficit)				
Liabilities				
Accounts payable	\$ -	\$ 157	\$ 235	\$ 392
Due to other funds	-	5,371	-	5,371
Deferred revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>5,528</u>	<u>235</u>	<u>5,763</u>
Fund balance (deficit)				
Restricted	19,121	-	7,588	26,709
Unassigned	<u>-</u>	<u>(5,528)</u>	<u>-</u>	<u>(5,528)</u>
Total fund balance (deficit)	<u>19,121</u>	<u>(5,528)</u>	<u>7,588</u>	<u>21,181</u>
Total liabilities and fund balance (deficit)	<u>\$ 19,121</u>	<u>\$ -</u>	<u>\$ 7,823</u>	<u>\$ 26,944</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2013

	Institute	Bus Driver Permit	General Education Development	Total
Revenues				
Local sources	\$ 10,565	\$ 1,226	\$ 5,931	\$ 17,722
State sources	-	850	1,310	2,160
Total revenues	<u>10,565</u>	<u>2,076</u>	<u>7,241</u>	<u>19,882</u>
Expenditures				
Salaries and benefits	-	2,537	1,826	4,363
Purchased services	243	1,117	1,131	2,491
Supplies and materials	576	-	4,552	5,128
Total expenditures	<u>819</u>	<u>3,654</u>	<u>7,509</u>	<u>11,982</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,746</u>	<u>(1,578)</u>	<u>(268)</u>	<u>7,900</u>
Other financing sources				
Interest	7	-	8	15
Total other financing sources	<u>7</u>	<u>-</u>	<u>8</u>	<u>15</u>
Net change in fund balance (deficit)	9,753	(1,578)	(260)	7,915
Fund balance (deficit) - beginning	<u>9,368</u>	<u>(3,950)</u>	<u>7,848</u>	<u>13,266</u>
Fund balance (deficit) - ending	<u>\$ 19,121</u>	<u>\$ (5,528)</u>	<u>\$ 7,588</u>	<u>\$ 21,181</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND

For the Year Ended June 30, 2013

	<u>Balance</u> <u>6/30/2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2013</u>
<u>Distributive Fund</u>				
Assets				
Cash and cash equivalents	\$ 327,290	\$ 50,869,574	\$ 51,136,021	\$ 60,843
Due from other governments	6,232,540	2,833,118	6,232,540	2,833,118
Total Assets	<u>\$ 6,559,830</u>	<u>\$ 53,702,692</u>	<u>\$ 57,368,561</u>	<u>\$ 2,893,961</u>
Liabilities				
Due to other governments	<u>\$ 6,559,830</u>	<u>\$ 53,702,692</u>	<u>\$ 57,368,561</u>	<u>\$ 2,893,961</u>
Total Liabilities	<u>\$ 6,559,830</u>	<u>\$ 53,702,692</u>	<u>\$ 57,368,561</u>	<u>\$ 2,893,961</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
DISTRIBUTIVE FUND
For the Year Ended June 30, 2013

Program Description	Program Number	Cairo SD #1	Egyptian CUSD 5	Goreville CUD 1	New Simpson Hill CD 32	Buncombe CSD	Cypress School #64	Janet Ulrich Reg. Supt. of Schools	Vienna High School Dist 13-3
General State Aid - Sec. 18-8	3001	\$ 3,133,875	\$ 2,547,151	\$ 1,637,985	\$ 1,116,671	\$ 272,525	\$ 501,350	\$ -	\$ 110,087
Sp. Ed. - Private Facility Tuition	3100	-	-	-	-	-	-	-	-
Sp. Ed. - Funding for Children Requiring Serv.	3105	101,182	94,335	99,171	46,679	14,172	20,563	-	26,403
Sp. Ed. - Personnel	3110	131,984	129,694	96,250	32,300	16,517	13,375	-	10,406
Sp. Ed. - Orphanage - Individual	3120	31,925	3,624	5,185	12,816	5,255	-	-	-
Sp. Ed. - Summer School	3145	-	-	-	-	-	-	-	-
Agriculture Education	3235	-	1,325	1,977	-	-	-	-	-
Bilingual Ed. - Downstate - TPI & TBE	3305	-	-	-	-	-	-	-	-
State Free Lunch & Breakfast	3360	10,278	7,008	2,192	1,572	679	1,121	775	708
Driver Education	3370	4,363	6,762	9,302	-	-	-	-	5,622
Transportation - Regular	3500	157,077	208,860	351,650	152,531	19,678	94,480	-	43,442
Transportation - Special Education	3510	47,718	51,372	63,712	66,760	3,532	12,238	-	663
ROE School Bus Driver Training	3520	-	-	-	-	-	-	850	-
Truants Alternative/Optional Ed.	3695	77,410	-	-	-	-	-	-	-
Regional Safe Schools	3696	-	-	-	-	-	-	-	-
Early Childhood - State Preschool at Risk	3705	553,175	350,745	277,536	117,558	-	81,276	-	-
ROE/ISC Operations	3730	-	-	-	-	-	-	-	-
Arts & Foreign Language	3962	-	-	-	-	-	-	-	-
Title VI - Rural Education Initiative	4107	-	-	-	-	-	-	-	-
National School Lunch Program	4210	183,142	155,806	57,479	46,469	17,323	31,558	14,823	6,206
School Breakfast Program	4220	93,971	77,817	19,680	14,324	7,592	17,176	7,753	-
Fresh Fruits and Vegetables	4240	16,237	8,322	-	-	-	-	-	-
IASA - Title I - Low Income	4300	804,322	457,799	114,724	38,888	25,155	20,493	-	52,440
IASA - Title I - School Improvement	4331	-	-	-	-	-	-	-	-
Title I Migrant Education	4340	-	-	-	-	-	-	45,719	-
Title I Migrant Incentive Grant	4341	-	-	-	-	-	-	2,500	-
Title IV - 21 Century CLC	4421	-	60,350	-	-	-	-	-	-
Fed Sp. Ed. - Preschool Flow Through	4600	-	-	-	-	-	-	-	-
Fed Sp. Ed. - IDEA - Flow Through	4620	-	-	-	-	-	-	-	-
Fed Sp. Ed. - IDEA - Room & Board	4625	-	33	367	477	110	-	-	-
ARRA - School Improvement	4855	-	1,357,549	-	-	-	-	-	-
ARRA - Education Jobs Fund Program	4880	5,576	-	2,754	-	-	786	8,033	-
Learn and Serve America	4910	-	-	-	-	-	-	-	-
Title II - Teacher Quality	4932	115,797	63,529	7,211	16,749	5,650	14,478	-	18,101
National Forest Reserve	N/A	9	173	19	113	12	-	-	40
Interest	N/A	-	-	-	-	-	-	3,443	-
		<u>\$ 5,468,041</u>	<u>\$ 5,582,254</u>	<u>\$ 2,747,194</u>	<u>\$ 1,663,907</u>	<u>\$ 388,200</u>	<u>\$ 808,894</u>	<u>\$ 83,896</u>	<u>\$ 274,118</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
DISTRIBUTIVE FUND
For the Year Ended June 30, 2013

Program Description	Program Number	Massac UD 1	Joppa-Maple Grove UD 38	Meridian CUSD #101	Lick Creek CCSD #16	Cobden SUD 17	Anna School Dist #37	Jonesboro CCSD #43	Anna-Jonesboro CHSD #81
General State Aid - Sec. 18-8	3001	\$ 7,928,151	\$ 217,833	\$ 3,314,440	\$ 466,412	\$ 2,759,974	\$ 2,707,638	\$ 1,615,839	\$ 1,654,093
Sp. Ed. - Private Facility Tuition	3100	24,608	-	-	-	-	-	-	-
Sp. Ed. - Funding for Children Requiring Serv.	3105	401,924	48,857	115,944	22,913	108,843	131,772	70,018	93,591
Sp. Ed. - Personnel	3110	301,352	41,545	103,789	10,800	81,615	111,577	40,075	42,209
Sp. Ed. - Orphanage - Individual	3120	19,100	-	-	6,161	7,539	-	-	-
Sp. Ed. - Summer School	3145	-	-	-	-	-	1,688	-	-
Agriculture Education	3235	484	1,283	610	-	631	-	-	862
Bilingual Ed. - Downstate - TPI & TBE	3305	-	-	-	-	11,508	-	1,830	-
State Free Lunch & Breakfast	3360	20,796	3,118	13,119	641	8,177	5,385	3,188	1,252
Driver Education	3370	27,394	3,243	5,248	-	6,023	-	-	20,851
Transportation - Regular	3500	432,920	124,371	278,654	43,097	136,461	52,441	29,264	98,166
Transportation - Special Education	3510	324,613	23,580	92,341	12,536	162,829	77,173	63,628	35,577
ROE School Bus Driver Training	3520	-	-	-	-	-	-	-	-
Truants Alternative/Optional Ed.	3695	-	-	-	-	-	-	-	-
Regional Safe Schools	3696	-	-	-	-	-	-	-	-
Early Childhood - State Preschool at Risk	3705	-	66,167	326,000	75,108	122,352	130,100	141,085	-
ROE/ISC Operations	3730	-	-	-	-	-	-	-	-
Arts & Foreign Language	3962	-	-	72,858	-	-	-	-	-
Title VI - Rural Education Initiative	4107	42,877	-	-	-	-	15,979	-	-
National School Lunch Program	4210	509,768	77,089	270,943	21,693	179,977	145,298	95,071	40,674
School Breakfast Program	4220	189,670	36,777	109,730	9,434	58,095	52,471	30,634	10,725
Fresh Fruits and Vegetables	4240	-	-	14,989	-	9,952	-	-	-
IASA - Title I - Low Income	4300	564,320	251,616	756,764	35,246	183,926	312,936	105,803	129,894
IASA - Title I - School Improvement	4331	-	-	-	-	-	-	-	-
Title I Migrant Education	4340	-	-	-	-	-	-	-	-
Title I Migrant Incentive Grant	4341	-	-	-	-	-	-	-	-
Title IV - 21 Century CLC	4421	-	-	302,232	-	-	-	-	-
Fed Sp. Ed. - Preschool Flow Through	4600	32,379	-	-	-	-	-	-	-
Fed Sp. Ed. - IDEA - Flow Through	4620	568,004	-	-	-	-	-	-	-
Fed Sp. Ed. - IDEA - Room & Board	4625	107,633	-	95	-	222	502	286	305
ARRA - School Improvement	4855	-	-	-	-	-	-	-	-
ARRA - Education Jobs Fund Program	4880	-	334	-	-	4,327	-	2,520	-
Learn and Serve America	4910	10,969	-	-	-	-	-	-	-
Title II - Teacher Quality	4932	168,981	25,929	97,712	15,150	30,635	62,909	21,411	23,494
National Forest Reserve	N/A	26	-	-	29	97	-	51	-
Interest	N/A	-	-	-	-	-	-	-	-
		<u>\$ 11,675,969</u>	<u>\$ 921,742</u>	<u>\$ 5,875,468</u>	<u>\$ 719,220</u>	<u>\$ 3,873,183</u>	<u>\$ 3,807,869</u>	<u>\$ 2,220,703</u>	<u>\$ 2,151,693</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
DISTRIBUTIVE FUND
For the Year Ended June 30, 2013

Program Description	Program Number	Shawnee CUSD 84	ROE/ISC Operations	Truant/ Alternative Education	Regional Safe Schools	General State Aid SS/Jr. High	System of Support	Total
General State Aid - Sec. 18-8	3001	\$ 674,605	\$ -	\$ -	\$ -	\$ 385,379	\$ -	\$ 31,044,008
Sp. Ed. - Private Facility Tuition	3100	-	-	-	-	-	-	24,608
Sp. Ed. - Funding for Children Requiring Serv.	3105	81,233	-	-	-	-	-	1,477,600
Sp. Ed. - Personnel	3110	87,653	-	-	-	-	-	1,251,141
Sp. Ed. - Orphanage - Individual	3120	5,255	-	-	-	-	-	96,860
Sp. Ed. - Summer School	3145	-	-	-	-	-	-	1,688
Agriculture Education	3235	2,187	-	-	-	-	-	9,359
Bilingual Ed. - Downstate - TPI & TBE	3305	-	-	-	-	-	-	13,338
State Free Lunch & Breakfast	3360	3,951	-	-	-	-	-	83,960
Driver Education	3370	4,296	-	-	-	-	-	93,104
Transportation - Regular	3500	181,701	-	-	-	-	-	2,404,793
Transportation - Special Education	3510	113,082	-	-	-	-	-	1,151,354
ROE School Bus Driver Training	3520	-	-	-	-	-	-	850
Truants Alternative/Optional Ed.	3695	-	-	138,382	-	-	-	215,792
Regional Safe Schools	3696	-	-	-	63,581	-	-	63,581
Early Childhood - State Preschool at Risk	3705	-	-	-	-	-	-	2,241,102
ROE/ISC Operations	3730	-	23,353	-	-	-	-	23,353
Arts & Foreign Language	3962	-	-	-	-	-	-	72,858
Title VI - Rural Education Initiative	4107	-	-	-	-	-	-	58,856
National School Lunch Program	4210	98,507	-	-	-	-	-	1,951,826
School Breakfast Program	4220	42,091	-	-	-	-	-	777,940
Fresh Fruits and Vegetables	4240	7,087	-	-	-	-	-	56,587
IASA - Title I - Low Income	4300	252,733	-	-	-	-	-	4,107,059
IASA - Title I - School Improvement	4331	-	-	-	-	-	678,087	678,087
Title I Migrant Education	4340	-	-	-	-	-	-	45,719
Title I Migrant Incentive Grant	4341	-	-	-	-	-	-	2,500
Title IV - 21 Century CLC	4421	-	-	-	-	-	-	362,582
Fed Sp. Ed. - Preschool Flow Through	4600	-	-	-	-	-	-	32,379
Fed Sp. Ed. - IDEA - Flow Through	4620	-	-	-	-	-	-	568,004
Fed Sp. Ed. - IDEA - Room & Board	4625	-	-	-	-	-	-	110,030
ARRA - School Improvement	4855	-	-	-	-	-	-	1,357,549
ARRA - Education Jobs Fund Program	4880	1,129	-	-	-	-	-	25,459
Learn and Serve America	4910	-	-	-	-	-	-	10,969
Title II - Teacher Quality	4932	29,153	-	-	-	-	-	716,889
National Forest Reserve	N/A	225	-	-	-	-	-	794
Interest	N/A	-	-	-	-	-	-	3,443
		<u>\$ 1,584,888</u>	<u>\$ 23,353</u>	<u>\$ 138,382</u>	<u>\$ 63,581</u>	<u>\$ 385,379</u>	<u>\$ 678,087</u>	<u>\$ 51,136,021</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2013

<u>Federal Grantor/Pass Through Grantor, Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Project # or Contract #</u>	<u>Expenditures 7/1/12-6/30/13</u>
U.S. Department of Education			
Passed through Illinois Community College Board			
Adult Education - Basic Grants to States			
Title I - School Improvement and Accountability	84.002A	531AA	\$ 73,882
Passed through Illinois State Board of Education			
Title I Grants to Local Educational Agencies			
System of Support Title I - School Improvement & Accountability (M)	84.010A	12-4331-SS	103,478
System of Support Title I - School Improvement & Accountability (M)	84.010A	13-4331-SS	325,406
Total Title I Grants to Local Educational Agencies			428,884
Migrant Education - State Grant Programs			
Title I - Migrant Education	84.011A	12-4340-01	34,586
Title I - Migrant Education	84.011A	13-4340-01	16,294
Total Migrant Education - State Grant Programs			50,880
Migrant Education - Coordination Program			
Title I - Migrant Incentive Grant	84.144F	12-4341-01	1,466
Title I - Migrant Incentive Grant	84.144F	13-4341-00	2,341
Total Migrant Education - Coordination Program			3,807
Improving Teacher Quality State Grants			
Title II - Teacher Quality - Leadership Grant	84.367A	13-4935-SS	8,000
Title II - Teacher Quality - Leadership Grant	84.367A	13-4935-02	3,045
Total ARRA - Education Jobs Fund Program			11,045
Total passed through Illinois State Board of Education			494,616
Passed through Regional Office of Education #21:			
Education for Homeless Children and Youth Cluster			
Education for Homeless Children and Youth			
McKinney Education for Homeless Children	84.196A	12-4920-00	3,368
McKinney Education for Homeless Children	84.196A	13-4920-00	14,666
Total Education for Homeless Children and Youth Cluster			18,034
Total passed through Regional Office of Education #21			18,034
Total U.S. Department of Education			586,532
U.S. Department of Agriculture			
Passed through Illinois State Board of Education:			
School Nutrition Cluster			
School Breakfast Program	10.553	12-4220-00	1,359
School Breakfast Program	10.553	13-4220-00	6,394
Total School Breakfast Program			7,753
National School Lunch Program	10.555	12-4210-00	2,597
National School Lunch Program	10.555	13-4210-00	12,226
Total National School Lunch Program			14,823
Total School Nutrition Cluster passed through Illinois State Board of Education			22,576
Total U.S. Department of Agriculture			22,576
Total Expenditures of Federal Awards			\$ 609,108

(M) Program was audited as a major program.

The accompanying notes are an integral part of this schedule.

REGIONAL OFFICE OF EDUCATION #2
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2013

1 REPORTING ENTITY BASIS OF PRESENTATION AND ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Regional Office of Education #2 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented on this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2 DESCRIPTION OF MAJOR FEDERAL PROGRAM

System of Support Title I - School Improvement and Accountability - This fund supports the improvement of basic programs operated by the Regional Office of Education #2 by providing professional development for data analysis, school improvement plan/development, standards-aligned curriculum/instruction, and classroom assessment to System of Support status schools on the Academic Early Warning and Watch.

3 SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Regional Office of Education #2 provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA #</u>	<u>Amount provided to subrecipients</u>
System of Support Title I - School Improvement and Accountability	84.010A	\$ 231,230
Title II - Teacher Quality - Leadership Grant	84.367A	\$ 8,000

4 NON-CASH ASSISTANCE

None

5 AMOUNT OF INSURANCE

None

6 LOANS OR LOAN GUARANTEES OUTSTANDING

None