

**STATE OF ILLINOIS
BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**FINANCIAL AUDIT
For the year ended June 30, 2013**

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

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

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**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

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**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

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**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

OFFICIALS

Regional Superintendent (current and during the audit period).....Ms. Julie Wollerman

Assistant Regional Superintendent (current and during the audit period) Mr. William LaDage

Offices are located at:

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Vandalia, IL 62471

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Vandalia, IL 62471

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

FINANCIAL REPORT SUMMARY

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

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

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

SUMMARY OF FINDINGS AND RESPONSES

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDING (GOVERNMENT AUDITING STANDARDS)			
2013-001	11-12	Controls Over Financial Statement Preparation	Material Weakness

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

There were no prior findings not repeated.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

FINANCIAL REPORT SUMMARY (Continued)

EXIT CONFERENCE

The Bond, Fayette, and Effingham County Regional Office of Education No. 3 opted to not have a formal exit conference during the financial audit for the year ended June 30, 2013. Throughout the audit, numerous meetings were held between auditors and Regional Office officials to discuss matters contained in this audit report. Responses to the recommendations were provided by the Regional Office of Education on November 15, 2013.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of the Bond, Fayette, and Effingham Counties Regional Office of Education No. 3 was performed by West & Company, LLC.

Based on their audit, the auditors expressed an unmodified opinion on the Bond, Fayette, and Effingham Counties Regional Office of Education No. 3's basic financial statements.

WEST & COMPANY, LLC

MEMBERS

E. LYNN FREESE
RICHARD C. WEST
BRIAN E. DANIELL
JANICE K. ROMACK
DIANA R. SMITH
D. RAIF PERRY
JOHN H. VOGT
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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 Bond, Fayette, and Effingham Counties Regional Office of Education No. 3, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Bond, Fayette, and Effingham Counties Regional Office of Education No. 3's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Bond, Fayette, and Effingham Counties Regional Office of Education No. 3's 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 Bond, Fayette, and Effingham Counties Regional Office of Education No. 3, 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 Illinois Municipal Retirement Fund - Schedule of Funding Progress on pages 16A-16K and 44 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 Bond, Fayette, and Effingham Counties Regional Office of Education No. 3's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules 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 and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules 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 March 26, 2014 on our consideration of the Bond, Fayette, and Effingham Counties Regional Office of Education No. 3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bond, Fayette, and Effingham Counties Regional Office of Education No. 3's internal control over financial reporting and compliance.

West + Company, LLC

Mattoon, Illinois
March 26, 2014

MEMBERS

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**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**

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bond, Fayette, and Effingham Counties Regional Office of Education No. 3, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Bond, Fayette, and Effingham Counties Regional Office of Education No. 3's basic financial statements, and have issued our report thereon dated March 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bond, Fayette, and Effingham Counties Regional Office of Education No. 3's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond, Fayette, and Effingham Counties Regional Office of Education No. 3's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond, Fayette, and Effingham Counties Regional Office of Education No. 3's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2013-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bond, Fayette, and Effingham Counties Regional Office of Education No. 3'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*.

Bond, Fayette, and Effingham Counties Regional Office of Education No. 3's Response to Finding

The Bond, Fayette, and Effingham Counties Regional Office of Education No. 3's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Bond, Fayette, and Effingham Counties Regional Office of Education No. 3'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 result of that testing, and not to provide an opinion on the effectiveness of the Bond, Fayette, and Effingham Counties Regional Office of Education No. 3'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 Bond, Fayette, and Effingham Counties Regional Office of Education No. 3's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

West + Company, LLC

Mattoon, Illinois
March 26, 2014

SCHEDULE OF FINDINGS AND RESPONSES

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDING
For the year ended June 30, 2013**

Section II: Financial Statement Finding

FINDING NO. 2013-001 – Controls Over Financial Statement Preparation (Partial repeat of 12-1, 11-1, 10-1, 09-1, 08-1 and 07-1)

Criteria/Specific Requirement:

The Bond, Fayette, and Effingham Counties Regional Office of Education No. 3 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office of Education No. 3's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

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

Condition:

The Regional Office of Education No. 3 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting during the fiscal year and posts most year-end accrual entries for financial statement purposes. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation/review of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not completely post prior year audit adjusting entries and some of the entries were posted incorrectly. This resulted in the Regional Office's fund balances rolling forward to fiscal year 2013 incorrectly and not being reported in accordance with generally accepted accounting principles.
- The Regional Office did not have adequate controls over the maintenance of complete records of cash, accounts receivable, or capital assets.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDING
For the year ended June 30, 2013**

Section II: Financial Statement Finding (Continued)

FINDING NO. 2013-001 – Controls Over Financial Statement Preparation (Partial repeat of 12-1, 11-1, 10-1, 09-1, 08-1 and 07-1) (Continued)

Effect:

The Regional Office of Education No. 3 management or its employees, in the normal course of performing their assigned functions, may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

Cause:

According to Regional Office of Education No. 3 management, they have not yet completed the training of their accounting personnel in order to comply with these requirements, but are in the process of doing so.

Auditors' Recommendation:

As part of internal control over the preparation of financial statements, the Regional Office of Education No. 3 should implement comprehensive preparation procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the Regional Office of Education No. 3's activities and operations.

Management's Response:

The Regional Superintendent and bookkeeping team continue to strive to beat this finding. Ongoing training is occurring and the results continue to show improvement in this area. We feel that the standards set for removing this finding are not clearly defined, yet we will continue to improve our services in our effort to better serve our constituents and ensure our fiscal responsibility.

Auditors' Comment:

The criteria the Regional Office of Education No. 3 should follow in order to prepare financial statements in accordance with Generally Accepted Accounting Procedures (GAAP) are outlined in Governmental Accounting Standards Board Statement No. 34.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION III – FEDERAL AWARD FINDINGS
For the year ended June 30, 2013**

Section III – Federal Award Findings

No findings were noted for the year ended June 30, 2013.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR
AUDIT FINDING
For the year ended June 30, 2013**

Corrective Action Plan

FINDING NO. 2013-001 – Controls Over Financial Statement Preparation (Partial repeat of 12-1, 11-1, 10-1, 09-1, 08-1 and 07-1)

Condition:

The Regional Office of Education No. 3 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting during the fiscal year and posts most year-end accrual entries for financial statement purposes. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation/review of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not completely post prior year audit adjusting entries and some of the entries were posted incorrectly. This resulted in the Regional Office's fund balances rolling forward to fiscal year 2013 incorrectly and not being reported in accordance with generally accepted accounting principles.
- The Regional Office did not have adequate controls over the maintenance of complete records of cash, accounts receivable, or capital assets.

Plan:

The Regional Office continues to seek additional training and outside guidance by experts to correct the finding.

Anticipated Date of Completion:

Ongoing

Contact Person:

Julie Wollerman, Regional Superintendent of Schools

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2013**

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
12-1	Controls Over Financial Statement Preparation	Partially Repeated

MANAGEMENT'S DISCUSSION AND ANALYSIS

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2013**

The following is a discussion and analysis of the financial performance of the Regional Office of Education for Bond, Fayette, and Effingham Counties for the fiscal year ended June 30, 2013. This section is a summary of the financial activities of the Regional Office of Education No. 3 based on currently known facts, decisions, or conditions. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the financial statements for the Regional Office of Education for Bond, Fayette, and Effingham Counties, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of five parts: Management's Discussion and Analysis (MD&A), the Basic Financial Statements, Notes to the Financial Statements, required supplementary information, and supplementary information. The Basic Financial Statements include two kinds of statements that present different views of the Regional Office of Education No. 3:

- The first two statements are general financial statements that provide both short-term and long-term information about the Regional Office of Education No. 3's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Regional Office of Education No. 3, reporting the Regional Office of Education No. 3's operations in more detail than the general statements. The fund financial statements concentrate on the Regional Office of Education No. 3's most significant funds with all other non-major funds listed in total in one column.
- Governmental funds statements tell how basic services such as grant-funded programs were financed in the short term as well as what remains for future spending.
- Proprietary funds statements provide information related to services provided to organizations comprising the Bond, Fayette, and Effingham Counties Education Service Region.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Required supplementary information includes the Management's Discussion and Analysis and the Illinois Municipal Retirement Fund Schedule of Funding Progress that further explains and supports the financial statements. Supplementary information provides a comparison of the Regional Office of Education No. 3's budgets for the year and also includes combining and individual nonmajor fund financial statements.

Figure A-1 summarizes the major features of the Regional Office of Education No. 3's financial statements, including the portion of the Regional Office of Education No. 3's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2013**

**Overview of the Financial Statements (Continued)
Figure A-1**

Major Features of the Regional Office of Education No. 3's Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Regional Office of Education	The activities of the Regional Office of Education that are not proprietary, such as special revenue and general funds	Activities the Regional Office of Education operates in which expenses related to services are done on a cost-reimbursement basis.
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenditures and Changes in Fund Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2013**

Overview of the Financial Statements (Continued)

Government-Wide Statements

The government-wide statements report information about the Regional Office of Education No. 3 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Regional Office of Education No. 3's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Regional Office of Education No. 3's net position and how they have changed. Net position, the difference between the Regional Office of Education No. 3's assets and liabilities, is one way to measure the Regional Office of Education No. 3's financial health or position.

- Increases or decreases in the Regional Office of Education No. 3's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Regional Office of Education No. 3, one needs to consider additional non-financial factors, such as changes in the State Board of Education's policies, as well as changes in federal programs and policies that impact educational services in individual States.

In the government-wide financial statements, the Regional Office of Education No. 3's activities are divided into two categories:

- **Governmental Activities:** Most of the Regional Office of Education No. 3's basic services are included here, such as grant-funded programs, support services, and administration.
- **Business-type activities:** The Regional Office of Education No. 3 charges fees to help cover the costs of certain services and workshops it provides.

Fund Financial Statements

The fund financial statements provide more detailed information about the Regional Office of Education No. 3's funds, focusing on its most significant or "major" funds – not the Regional Office of Education No. 3 as a whole. Funds are accounting devices the Regional Office of Education No. 3 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 No. 3 establishes other funds to control and to manage money for particular purposes or to show that it is properly using certain revenues, such as federal grants.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2013**

Overview of the Financial Statements (Continued)

Fund Financial Statements (Concluded)

The Regional Office of Education No. 3 has two kinds of funds:

- **Governmental Funds:** Most of the Regional Office of Education No. 3's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Regional Office of Education No. 3's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements a reconciliation between the governmental fund financial statements and the government-wide financial statements follow the related governmental fund financial statements.
- **Proprietary Funds:** The Regional Office of Education No. 3 charges fees for some services. Proprietary funds are reported in the same way as government-wide statements. The Regional Office of Education No. 3's Enterprise funds, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The Regional Office of Education No. 3 currently has one Enterprise Fund, the Local Workshops Fund.

Government-wide Financial Analysis

Statement of Net Position

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components-the amount due within one year and the amount due in more than one year. The difference between the Regional Office of Education No. 3's assets and liabilities is its net position.

This section will explain the differences between the current and prior year's assets, liabilities, and changes in net position. The Regional Office of Education for Bond, Fayette, and Effingham Counties' financial activities include both Governmental and Business-type activities. These are reported below.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2013**

Government-wide Financial Analysis (Continued)

Statement of Net Position (Continued)

CONDENSED STATEMENT OF NET POSITION

GOVERNMENTAL ACTIVITIES

	<u>2013</u>	<u>2012</u>	<u>Increase / (Decrease)</u>
Current Assets	\$ 759,329	\$ 761,426	(2,097)
Capital assets, being depreciated, net	<u>33,949</u>	<u>37,223</u>	(3,274)
Total Assets	<u>793,278</u>	<u>798,649</u>	(5,371)
Current Liabilities	<u>104,839</u>	<u>101,786</u>	3,053
Net Assets:			
Invested in capital assets	33,949	37,223	(3,274)
Restricted	137,276	132,775	4,501
Unrestricted	<u>517,214</u>	<u>526,865</u>	(9,651)
Total Net Position	<u>\$ 688,439</u>	<u>\$ 696,863</u>	(8,424)

The Regional Office of Education No. 3's governmental assets exceeded governmental liabilities (net position) by \$688,439 at the close of the fiscal year. Cash and cash equivalents made up the majority of assets. The Regional Office of Education No. 3 uses its governmental net position to perform general operations, provide professional services to school districts in the Bond, Fayette, and Effingham Counties Educational Service Region and surrounding areas, and to operate Alternative Education Programs within the region.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2013**

Government-wide Financial Analysis (Continued)

Statement of Net Position (Concluded)

BUSINESS-TYPE ACTIVITIES

	2013	2012	Increase / (Decrease)
Current Assets	\$ 225,596	\$ 253,522	(27,926)
Capital assets, being depreciated, net	-	1,380	(1,380)
Total Assets	<u>225,596</u>	<u>254,902</u>	(29,306)
Current Liabilities	<u>-</u>	<u>-</u>	-
Net Position:			
Invested in capital assets	-	1,380	(1,380)
Unrestricted	<u>225,596</u>	<u>253,522</u>	(27,926)
Total Net Position	<u>\$ 225,596</u>	<u>\$ 254,902</u>	(29,306)

The Regional Office of Education No. 3 uses its business-type net position to provide workshop and training services to school districts in the Bond, Fayette, and Effingham Counties Educational Service Region and surrounding areas.

General Overview and Analysis of Significant Individual Governmental Funds

NON-MAJOR SPECIAL REVENUE FUNDS

- The Institute Fund is administered by the Regional Office of Education No. 3 and had a fund balance of \$38,112, which represents a \$2,216 decrease under the previous year.
- The General Education Development Fund is administered by the Regional Office of Education No. 3 and had a fund balance of \$20,057, which represents a \$1,054 increase above the previous year.
- The ROE School Bus Driver Training Fund is administered by the Regional Office of Education No. 3 and had a fund balance of \$13,740, which represents a \$2,303 increase over the previous year.
- The Supervisory Fund is administered by the Regional Office of Education No. 3 and had a fund balance of \$2,091, which represents a \$521 decrease below the previous year. The expenses related to this fund increase or decrease depending on the needs of the Regional Office. The line item to support the Supervisory Fund was cut from the Illinois State Budget in FY10.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2013**

Government-wide Financial Analysis (Continued)

General Overview and Analysis of Significant Individual Government Funds (Continued)

EDUCATION FUND

- The Illinois Family Violence Coordinating Council is administered by the Educational Services Division of the Regional Office of Education No. 3 and had a fund balance of \$7,062, which represents a \$355 increase above the previous year.
- The Alternative Education Program – Other is administered by the Alternative Education Program of the Regional Office of Education and had a fund balance of \$55,788, which represents a \$2,598 increase over the previous year.
- The McKinney Vento Homeless Program is administered by the Educational Services Division of the Regional Office of Education and had a fund balance of (\$78), which represents an increase of \$46,915 above the previous year.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2013**

Government-wide Financial Analysis (Continued)

Statement of Activities

The Statement of Activities accounts for all of the current year revenues and expenses regardless of when cash is received or paid.

STATEMENT OF ACTIVITIES

GOVERNMENTAL ACTIVITIES

	<u>2013</u>	<u>2012</u>	<u>Increase / (Decrease)</u>
Revenues:			
Program Revenues:			
Operating grants and contributions	\$ 1,202,186	\$ 1,029,982	172,204
General Revenues:			
Local Sources	384,443	402,508	(18,065)
On-behalf payments	334,427	261,403	73,024
Interest	523	1,054	(531)
	<u>1,921,579</u>	<u>1,694,947</u>	226,632
Total revenues			
Expenses:			
Instructional Services:			
Salaries and benefits	942,764	898,249	44,515
Purchased services	369,838	363,862	5,976
Supplies and materials	46,079	57,436	(11,357)
Payments to other governments	222,769	55,663	167,106
Depreciation	14,126	16,919	(2,793)
On-behalf payments	334,427	261,403	73,024
	<u>1,930,003</u>	<u>1,653,532</u>	276,471
Total expenses			
Excess (deficiency) of revenues over (under) expenditures	(8,424)	41,415	(49,839)
Net position - beginning	<u>696,863</u>	<u>655,448</u>	41,415
Net position - ending	<u>\$ 688,439</u>	<u>\$ 696,863</u>	(8,424)

Revenues from governmental activities were \$1,921,579 and expenses were \$1,930,003.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2013**

Government-wide Financial Analysis (Concluded)

Statement of Activities (Concluded)

STATEMENT OF ACTIVITIES

BUSINESS-TYPE ACTIVITIES

	<u>2013</u>	<u>2012</u>	<u>Increase / (Decrease)</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 23,424	\$ 95,118	(71,694)
Total revenues	<u>23,424</u>	<u>95,118</u>	(71,694)
Expenses:			
Salaries and benefits	31,008	23,186	7,822
Purchased services	20,174	77,724	(57,550)
Supplies and materials	58	7,595	(7,537)
Payments to other governments	110	1,550	(1,440)
Depreciation	1,380	1,807	(427)
Total expenses	<u>52,730</u>	<u>111,862</u>	(59,132)
Operating (loss) revenue	(29,306)	(16,744)	(12,562)
Net position - beginning	<u>254,902</u>	<u>271,646</u>	(16,744)
Net position - ending	<u>\$ 225,596</u>	<u>\$ 254,902</u>	(29,306)

Revenues from business-type activities were \$23,424 and expenses were \$52,730. The Regional Office of Education No. 3's business-type activities include workshops that involve charges for service. Expenses include salaries and purchases of goods and supplies to support these activities.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2013**

Financial Analysis of the Regional Office of Education No. 3's Funds

The Regional Office of Education No. 3 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Regional Office of Education No. 3's governmental funds reported combined net position of \$8,424 below last year's ending net position balance of \$696,863. The Regional Office of Education No. 3's proprietary funds reported combined net position of \$29,306 below last year's ending fund balance of \$254,902. There was no significant capital asset activity during the fiscal year.

Governmental Fund Highlights

- The Regional Office of Education No. 3's Governmental Funds fluctuate from year to year based on State and Federal funds available to the Regional Office. Responsibilities continue to increase for the Regional Office while funding decreases.

Proprietary Fund Highlights

- As part of its mission, the Regional Office of Education No. 3 continues to provide workshop and training services to school districts even during economically challenging times. Many workshops were offered free-of-charge and below cost-recovery in order to meet organizational objectives. This is not a practice that the Regional Office can continue.

Budgetary Highlights

The Regional Office of Education No. 3 annually adopts a budget on a basis consistent with U.S. generally accepted accounting principles; however, the annual budget is not required to be legally adopted. All grant funds are expended according to budgets approved by the granting entity. A schedule showing the original and final budget amounts compared to the Regional Office of Education No. 3's actual financial activity is included in the supplementary information section of this report.

Factors Bearing on the Regional Office of Education No. 3's Future

At the time these financial statements were prepared and audited, the Regional Office of Education No. 3 was aware of several existing circumstances that could significantly impact its financial health in the future:

- The Regional Office of Education No. 3 is obligated to provide programs and services in compliance with statutory, regulatory and mandated requirements from the Legislature and the Illinois State Board of Education. These programs and services are provided even though payments from the State have not been timely. The Regional Office of Education No. 3 must maintain a proficient professional and clerical staff in order to provide a consistent level of service to the constituents of the educational service region served by the regional superintendent of schools. Reliance on delayed state and federal funding brings an element of uncertainty to the budgeting process each year, yet the mandated programs and services have no contingencies built in.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2013**

Factors Bearing on the Regional Office of Education No. 3's Future (Concluded)

- A limited number of federal and state grant programs help support the Regional Office of Education No. 3's Educational Services Division and the Alternative Education Programs. Funding from these grant programs is not assured from year to year. Because of limited availability of funds to other agencies and organizations, there is increased competition for funded grant programs due in part to a reduction in the amount of grant funding available and the similar financial circumstances all entities are experiencing. The future of the Alternative Education Programs and the Educational Services Division (and the programs and services they provide) is directly dependent on their abilities to compete for grant funding. The Alternative Education Programs have been expanding due to increased needs by the districts for placement of students requiring alternative educational services.
- The Regional Office of Education No. 3 operates under conservative fiscal management and will continue to remain productive through the current State budgetary conundrum through frugal fiscal management, staying within fiscal limits and by utilizing human resources and physical resources effectively. A continuous review of current and past practices, as well as current operations policies has led to practical modifications resulting in reduction of expenditures and reasonably stable fund balances.
- On July 1, 2015, the Regional Office of Education No. 10 of Christian and Montgomery Counties will merge with ROE No. 3. This will create new challenges for both the physical and fiscal management of this office. Discussions between the two offices have already begun as we map out a plan to best serve the five counties. This merger will substantially impact the financial and bookkeeping practices of our office.

Contacting the Regional Office of Education No. 3's Financial Management

This financial report is designed to provide those citizens and taxpayers who reside within the Bond, Fayette, and Effingham Counties Regional Office of Education No. 3 boundaries with a general overview of the Regional Office of Education No. 3's finances and to demonstrate the Regional Office of Education No. 3's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Regional Office of Education No. 3, 300 South Seventh Street, Vandalia, IL 62471.

BASIC FINANCIAL STATEMENTS

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**STATEMENT OF NET POSITION
June 30, 2013**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 696,648	\$ 140,840	\$ 837,488
Due from other governments	140,987	6,450	147,437
Internal balances	(78,306)	78,306	-
Total current assets	<u>759,329</u>	<u>225,596</u>	<u>984,925</u>
Noncurrent assets:			
Capital assets, net	33,949	-	33,949
Total assets	<u>793,278</u>	<u>225,596</u>	<u>1,018,874</u>
LIABILITIES			
Current liabilities:			
Accounts payable	34,002	-	34,002
Salaries and benefits payable	45,555	-	45,555
Due to other governments	21,647	-	21,647
Deferred revenue	3,635	-	3,635
Total current liabilities	<u>104,839</u>	<u>-</u>	<u>104,839</u>
NET POSITION			
Net investment in capital assets	33,949	-	33,949
Restricted for educational purposes	137,276	-	137,276
Unrestricted	517,214	225,596	742,810
Total net position	<u>\$ 688,439</u>	<u>\$ 225,596</u>	<u>\$ 914,035</u>

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

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**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	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Governmental activities:						
Instructional services:						
Salaries and benefits	\$ 942,764	\$ -	\$ 723,224	\$ (219,540)	\$ -	\$ (219,540)
Purchased services	369,838	-	216,986	(152,852)	-	(152,852)
Supplies and materials	46,079	-	36,466	(9,613)	-	(9,613)
Capital outlay	-	-	6,580	6,580	-	6,580
Payments to other governments	222,769	-	218,930	(3,839)	-	(3,839)
Depreciation	14,126	-	-	(14,126)	-	(14,126)
Administrative:						
On-behalf payments - local	17,845	-	-	(17,845)	-	(17,845)
On-behalf payments - state	316,582	-	-	(316,582)	-	(316,582)
Total governmental activities	<u>1,930,003</u>	<u>-</u>	<u>1,202,186</u>	<u>(727,817)</u>	<u>-</u>	<u>(727,817)</u>
Business-type activities						
Instructional services	<u>52,730</u>	<u>23,424</u>	<u>-</u>	<u>-</u>	<u>(29,306)</u>	<u>(29,306)</u>
Total primary government	<u>\$ 1,982,733</u>	<u>\$ 23,424</u>	<u>\$ 1,202,186</u>	<u>(727,817)</u>	<u>(29,306)</u>	<u>(757,123)</u>
General revenues:						
Local sources				384,443	-	384,443
On-behalf payments - local				17,845	-	17,845
On-behalf payments - state				316,582	-	316,582
Interest				523	-	523
Total general revenues				<u>719,393</u>	<u>-</u>	<u>719,393</u>
Change in net position				(8,424)	(29,306)	(37,730)
Net position - beginning				<u>696,863</u>	<u>254,902</u>	<u>951,765</u>
Net position - ending				<u>\$ 688,439</u>	<u>\$ 225,596</u>	<u>\$ 914,035</u>

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

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013**

	General Fund	Education Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 552,322	\$ 70,713	\$ 73,613	\$ 696,648
Due from other governments	30,187	106,148	4,652	140,987
Total assets	\$ 582,509	\$ 176,861	\$ 78,265	\$ 837,635
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 30,266	\$ -	\$ 3,736	\$ 34,002
Salaries and benefits payable	27,314	18,216	25	45,555
Due to other funds	7,715	70,591	-	78,306
Due to other governments	-	21,647	-	21,647
Deferred revenue	-	3,635	504	4,139
Total liabilities	65,295	114,089	4,265	183,649
FUND BALANCES				
Restricted	-	62,850	74,000	136,850
Assigned	461,622	-	-	461,622
Unassigned	55,592	(78)	-	55,514
Total fund balances	517,214	62,772	74,000	653,986
Total liabilities and fund balances	\$ 582,509	\$ 176,861	\$ 78,265	\$ 837,635

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

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2013**

Total fund balances-governmental funds	\$ 653,986
Amounts reported for governmental activities in the Statement of Net Position are different because:	
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.	504
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>33,949</u>
Net position of governmental activities	<u><u>\$ 688,439</u></u>

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

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**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	Total Governmental Funds
Revenues:				
Local sources	\$ 331,886	\$ 12,701	\$ 39,856	\$ 384,443
State sources	476,772	270,316	15,625	762,713
Federal sources	-	488,129	-	488,129
On-behalf payments	334,427	-	-	334,427
Interest	523	-	-	523
Total revenues	1,143,608	771,146	55,481	1,970,235
Expenditures:				
Instructional services:				
Salaries and benefits	554,899	372,851	15,014	942,764
Purchased services	224,745	109,967	35,126	369,838
Supplies and materials	28,336	13,022	4,721	46,079
Payments to other governments	-	222,769	-	222,769
On-behalf payments	334,427	-	-	334,427
Capital outlay	10,852	-	-	10,852
Total expenditures	1,153,259	718,609	54,861	1,926,729
Excess (deficiency) of revenues over (under) expenditures	(9,651)	52,537	620	43,506
Fund balances, beginning of year	526,865	10,235	73,380	610,480
Fund balances, end of year	\$ 517,214	\$ 62,772	\$ 74,000	\$ 653,986

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

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**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		\$ 43,506
Amounts reported for governmental activities in the Statement of Activities are different because:		
Some revenues will not be collected for several months after the Regional Office fiscal year ends; they are not considered "available" revenues and are deferred in the governmental funds.		
Current year revenue that will not be collected within 60 days of the Regional Office's fiscal year end is considered "deferred" revenue in the fund statements.	\$ 504	
Prior year "deferred" revenue that is recorded as revenue in the fund statements in the current year.	<u>(49,160)</u>	(48,656)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$ 10,852	
Depreciation expense	<u>(14,126)</u>	<u>(3,274)</u>
Change in net position of governmental activities		<u><u>\$ (8,424)</u></u>

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

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013**

	Business-Type Activities
	Enterprise Fund Workshops
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 140,840
Due from other governments	6,450
Due from other funds	78,306
Total current assets	225,596
LIABILITIES	
	-
NET POSITION	
Unrestricted	225,596
Total net position	\$ 225,596

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

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended June 30, 2013**

	Business-Type Activities
	Enterprise Fund Workshops
Operating revenues:	
Charges for services	\$ 23,424
Operating expenses:	
Salaries and benefits	31,008
Purchased services	20,174
Supplies and materials	58
Other objects	110
Depreciation	1,380
Total operating expenses	52,730
Operating loss	(29,306)
Total net position - beginning	254,902
Total net position - ending	\$ 225,596

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

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended June 30, 2013**

	Business-Type Activities
	Enterprise Fund Workshops
Cash flows from operating activities:	
Collection of fees	\$ 21,734
Payments to suppliers and providers of goods and services	(20,342)
Payments to employees	(31,008)
Net cash used by operating activities	(29,616)
 Cash flows for noncapital financing activities:	
Receipts from interfund borrowing, net	17,084
Net decrease in cash and cash equivalents	(12,532)
 Cash and cash equivalents- beginning	153,372
Cash and cash equivalents- ending	\$ 140,840
 Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (29,306)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	1,380
Increase in due from other governments	(1,690)
Net cash used by operating activities	\$ (29,616)

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

NOTES TO FINANCIAL STATEMENTS

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Regional Office of Education No. 3's accounting policies conform to generally accepted accounting principles which are appropriate to local governmental units of this type.

A. Reporting Entity

The Regional Office of Education No. 3 was created by Illinois Public Act 76-735, as amended, effective August 8, 1995. The region encompasses Bond, Fayette, and Effingham counties.

The Regional Superintendent of Schools is the chief administrative officer of the region and is elected to the position for a four-year term. The Regional Superintendent is responsible for the supervision and control of the school districts.

The Regional Superintendent's responsibilities for administering the school educational service region programs include, but are not limited to, providing directions to teachers and school officials on science, art and teaching methods; implementing the State Board of Education's Policy Programs; encouraging camaraderie among teachers through the teachers' institute; making public notice of unfilled teaching positions within the region; and ensuring the safety, health and welfare of the students in the region by periodically inspecting the school buildings and ensuring that the bus drivers have valid driving licenses and are properly trained to operate the school buses. The Regional Superintendent is also responsible for apportionment and payment of funds received from the State for the districts in the region, or seeing that no payments are made unless the treasurer has filed or renewed appropriate bond and that the district has certified publication of the annual financial report.

The Regional Office of Education No. 3 derives its oversight power and authority over the school districts from the School Code and is responsible for its own fiscal and budgetary matters. The Regional Office of Education No. 3 exercises no oversight responsibility on financial interdependency, selection of governing authority, designation of management or the ability to significantly influence the operations of any other outside agencies. Control or dependency is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing order. Therefore, no other agency has been included as a component unit in the Regional Office of Education No. 3's financial statements. In addition, the Regional Office of Education No. 3 is not aware of any entity that would exercise oversight as to result in the Regional Office of Education No. 3 being considered a component unit of the entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by intergovernmental revenues, are reported separately from the *business-type activities*, which rely to a significant extent on fees and charges for support.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The Statement of Net Position includes all of the Regional Office of Education No. 3's assets and liabilities, including capital assets. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

Certain eliminations have been made as prescribed by governmental accounting standards 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 the proprietary fund Statement of Net Position, and as other resources 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. All internal balances in the Statement of Net Position have been eliminated.

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

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 the major proprietary fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues from exchange transactions are recognized when they are earned, and expenses are recognized 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 provider have been met.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become 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. The Regional Office of Education No. 3 considers revenues to be available if they are collectible within 60 days after year-end. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable, with the exception of expenditures for prepaid expenses and other long-term obligations, which are recognized as liabilities when due, as well as expenditures related to compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Revenues susceptible to accrual are recognized in the current fiscal period. Those revenues include local sources, State sources, federal sources, and interest. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria or when resources are received prior to the government having legal claim to them. The revenues are subsequently recognized when both recognition criteria are met or when the government has legal claim to the resources. Revenues received after the Regional Office's availability period is reported as deferred revenue in the fund statements and is reported as current revenue in the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Regional Office of Education No. 3's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

It is the Regional Office of Education No. 3's policy to first apply restricted resources when an expenditure or expense is incurred for which both restricted and unrestricted resources are available. For unrestricted fund balances, committed fund balances are used first, then assigned fund balances, then unassigned, if any.

1. Governmental Funds

The Regional Office of Education No. 3 reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Regional Office of Education No. 3 and is used to account for all financial resources except those required to be accounted for and reported in another fund. This fund is available to pay general and administrative expenditures of the Regional Office of Education No. 3. Included in this fund are:

General - This fund provides funding for expenditures incurred in order to operate the Regional Office of Education No. 3.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

1. Governmental Funds (Continued)

General Fund (Continued)

County - This fund accounts for the shared expenses incurred in the operation of the Regional Superintendent's office.

EIU - This fund provides the opportunity for teachers and administrators to earn graduate credit through participation in weekend classes in programs leading to advanced degrees. Programs currently offered include a Master's Degree in Guidance and Counseling and a Master's or Specialist Degree in School Administration from EIU.

Attendance Officer - This program provides funding for a truant officer which is utilized to pay for related truancy expenses.

Curriculum COOP - This program accounts for local receipts from participating districts that are used to pay for joint events.

Truant Alternative/Optional Education General State Aid - This fund accounts for General State Aid received to support the Truants Alternative/Optional Education Program.

Regional Safe Schools Program General State Aid - This fund accounts for General State Aid received to support the Regional Safe Schools programs.

Tuition - This fund accounts for tuition payments from local districts sending students to alternative education programs provided by the Regional Office of Education No. 3.

Education Fund - This Special Revenue 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:

ROE/ISC Operations - This fund accounts for comprehensive services to improve education in the Region in the areas of gifted, staff development, administrator academies, school improvement, and technology.

Illinois Family Violence Coordinating Council - This program provides support for coordination of committees whose members focus on identifying and reducing incidences of domestic violence.

Truants Alternative/Optional Education - This program provides funding for services designed to prevent students from dropping out of school.

Adult Education & Family Literacy - This program provides funding to assist students in the completion of a secondary education.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

1. Governmental Funds (Continued)

Education Fund (Continued)

Regional Safe Schools - This program provides funding for an alternative school program for disruptive youth in grades 6-9 who have been removed from the regular school setting due to continuous disruptions in the classroom.

McKinney Education For Homeless Children - This program provides training and technical assistance to school districts in the 16 counties to assist school officials in understanding and complying with the McKinney-Vento Act.

Title II - Teacher Quality – Leadership Grant - This program provides professional development for administrators, future administrators, and teacher leaders to receive required training for teacher principal evaluation.

Alternative Education Programs - Other - This fund regulates local, state, and federal revenue and expenses involving breakfast and lunch for the alternative schools.

IFVCC Arrest Grant - The IFVCC and the 23 local Councils from each Judicial Circuit will work on updating and developing protocols and statewide implementation of the protocols for law enforcement and prosecutors to address domestic violence during the first year of the grant and elder abuse and abuse of persons with disabilities during the second year of grant activities. Coordinated Community Response Teams (law enforcement, prosecutor, domestic violence advocate, elder services advocate, and persons with disabilities advocate) from each Circuit will receive training at the state level. They will then return to their home Circuits and train local law enforcement and prosecutors.

Additionally, the Regional Office of Education No. 3 reports the following nonmajor governmental funds:

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed for specified purposes other than debt service or capital projects. Included among these funds are:

General Education Development (GED) - This fund accounts for the receipts and expenses pertaining to the GED/High School Equivalency program for high school dropouts.

ROE School Bus Driver Training - This fund accounts for State and local receipts and expenses designed for initial and refresher courses of instruction for school bus drivers.

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

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

1. Governmental Funds (Continued)

Special Revenue Funds (Continued)

Institute - This fund accounts for teacher certificate registration, issuance and evaluation fees for processing certificates, and expenses to promote the professional growth of teachers and school personnel. All funds generated remain restricted until expended only on the aforementioned activities.

2. Proprietary Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes.

The Regional Office of Education No. 3 reports the following major proprietary fund:

Workshops - To account for the fees and local revenues received and related expenses incurred while performing the corresponding program services.

D. Assets, Liabilities, and Net Position or Equity

1. Cash and Investments

The Regional Office of Education No. 3 considers cash on hand, checking accounts, savings accounts, and investments held with an original maturity date of less than 90 days to be cash and cash equivalents. State regulations require that the Regional Office of Education No. 3 deposit funds under its control into accounts insured by the federal governments, accounts secured by substantial collateral or pooled investment trusts. All funds not needed for immediate disbursement are maintained in interest bearing accounts.

Statutes authorize the Regional Office of Education No. 3 to make deposits or invest in obligations of states and their political subdivisions, savings accounts, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Money Market Fund.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

2. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.”

3. Capital Assets

Capital assets are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Capital assets are depreciated using straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Office equipment and furniture	5-10
Computer equipment	3-5
Other equipment and leasehold improvements	5-20

In the fund financial statements, capital assets used in governmental operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

4. Compensated Absences

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

Employees receive up to 12 sick days annually and the unused portion is accumulated up to 180 days and carried forward. Employee sick leave is recorded when paid. Upon termination, employees do not receive any accumulated sick leave pay, and therefore, no liability is accrued.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

5. Equity Classifications

Government-wide Statements

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

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

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

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

Fund Statements

Governmental fund equity is classified as fund balance. 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 fund balance that is not available to be spent, either short term or long term, in either form or through legal restrictions. There are no funds presenting a nonspendable fund balance.

Restricted Fund Balance – the portion of a Governmental Fund’s fund balance that is subject to external enforceable legal restrictions. The following accounts fund balances are restricted by grant agreements or contracts: Illinois Family Violence Coordinating Council, and Alternative Education Programs – Other. The following funds are restricted by Illinois Statute: General Education Development, ROE School Bus Driver Training, Supervisory, and Institute.

Committed Fund Balance – the portion of a Governmental Fund’s fund balance with self-imposed constraints or limitations that have been placed at the highest level of decision making. There are no accounts presenting a committed fund balance.

Assigned Fund Balance – the portion of a Governmental Fund’s fund balance to denote an intended use of resources. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The following accounts comprise assigned fund balance: EIU, Attendance Officer, Curriculum COOP, Truant Alternative/Optional Education GSA, Regional Safe Schools Program GSA, and Tuition.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

5. Equity Classifications (Continued)

Fund Statements (Continued)

Unassigned Fund Balance – available expendable financial resources in a governmental fund that are not designated for a specific purpose. The unassigned fund balance is made up of the following accounts: General, County, and McKinney Education for Homeless Children.

E. New Accounting Pronouncements

In 2013, the Regional Office of Education No. 3 implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The implementation of GASB Statement No. 63 changed how the statement of financial position is presented. The Regional Office of Education No. 3 will now report *net position* instead of *net assets* in the Statement of Net Position and the Statement of Activities. The Regional Office of Education No. 3 also implemented GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*, neither of which had any effect on the financial statements.

2. BUDGETS AND BUDGETARY ACCOUNTING

The Regional Office of Education No. 3 was not legally required to adopt annual budgets for all funds under its control, and some annual budgets prepared were not based upon the same operating period. Therefore, budgetary reports comparing budgeted to actual expenditures are not presented.

Budgets relating to programs funded by grants from the Illinois State Board of Education are prepared and submitted to the State Board as part of the grant awards process. The State Board must also approve amendments to these budgets. Grant project budgets are based on the award period. Budgets relating to programs funded by grants from the Illinois Community College Board must also be prepared and submitted for approval. Budgetary Comparison Schedules have been presented for the following grants received from the Illinois State Board of Education or the Illinois Community College Board: ROE/ISC Operations, Truants Alternative/Optional Education, Adult Education & Family Literacy, Regional Safe Schools, McKinney Education for Homeless Children, Title II – Teacher Quality – Leadership Grant.

3. USE OF 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.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS

At June 30, 2013, the carrying amount of the Regional Office of Education No. 3's deposits for the governmental activities and business-type activities were \$696,648 and \$140,840, respectively. The bank balance for the governmental and business-type activities totaled \$852,123 all of which was secured by federal depository insurance or collateralized with securities held by the pledging financial institution's trust department in the Regional Office of Education No. 3's name, and were, therefore, not exposed to custodial credit risk. The Illinois Funds Money Market Fund accounts had a total balance of \$5,285 at June 30, 2013. This amount is fully collateralized and not subject to credit risk.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets being depreciated:				
Office equipment and furniture	\$ 74,775	\$ -	\$ (10,673)	\$ 64,102
Computer equipment	80,247	4,272	(15,178)	69,341
Other equipment and leasehold improvements	63,316	6,580	(18,115)	51,781
Total capital assets being depreciated	<u>218,338</u>	<u>10,852</u>	<u>(43,966)</u>	<u>185,224</u>
Less accumulated depreciation for:				
Office equipment and furniture	(65,988)	(3,867)	10,673	(59,182)
Computer equipment	(78,554)	(4,774)	15,178	(68,150)
Other equipment and leasehold improvements	(36,573)	(5,485)	18,115	(23,943)
Total accumulated depreciation	<u>(181,115)</u>	<u>(14,126)</u>	<u>43,966</u>	<u>(151,275)</u>
Governmental activities capital assets, net	<u>\$ 37,223</u>	<u>\$ (3,274)</u>	<u>\$ -</u>	<u>\$ 33,949</u>
Business-type activities:				
Capital assets being depreciated:				
Office equipment and furniture	\$ 37,500	\$ -	\$ (1,993)	\$ 35,507
Computer equipment	19,775	-	(5,532)	14,243
Other equipment and leasehold improvements	21,700	-	(3,600)	18,100
Total capital assets being depreciated	<u>78,975</u>	<u>-</u>	<u>(11,125)</u>	<u>67,850</u>
Less accumulated depreciation for:				
Office equipment and furniture	(36,269)	(1,231)	1,993	(35,507)
Computer equipment	(19,626)	(149)	5,532	(14,243)
Other equipment and leasehold improvements	(21,700)	-	3,600	(18,100)
Total accumulated depreciation	<u>(77,595)</u>	<u>(1,380)</u>	<u>11,125</u>	<u>(67,850)</u>
Business-type activities capital assets, net	<u>\$ 1,380</u>	<u>\$ (1,380)</u>	<u>\$ -</u>	<u>\$ -</u>

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the Regional Office of Education No. 3 as follows:

Governmental activities:	
Instructional services	<u>\$ 14,126</u>
Business-type activities:	
Instructional services	<u>\$ 1,380</u>

6. RETIREMENT FUND COMMITMENTS

A. Teachers' Retirement System of the State of Illinois

The Regional Office of Education No. 3 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 the primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2013 was 9.4 percent 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 percent 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 No. 3'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 No. 3. For the year ended June 30, 2013, State of Illinois contributions were based on 28.05 percent of creditable earnings not paid from federal funds, and the Regional Office of Education No. 3 recognized revenue and expenditures of \$132,524 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 (\$104,531) and 23.10 percent (\$132,990), respectively.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT FUND COMMITMENTS (Continued)

A. Teachers' Retirement System of the State of Illinois (Continued)

The Regional Office of Education No. 3 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 changes. This rate is specified by statute. Contributions for the year ended June 30, 2013 were \$2,233. Contributions for the years ended June 30, 2012, and June 30, 2011 were \$1,901 and \$2,403, respectively.

Federal and Special Trust Fund Contributions - When TRS members are paid from federal and special trust funds administered by the Regional Office of Education No. 3, there is a statutory requirement for the Regional Office of Education No. 3 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective for 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 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 \$57,717 were paid from federal and special trust funds that required employer contributions of \$16,190. For the years ended June 30, 2012, and June 30, 2011, required Regional Office of Education No. 3 contributions were \$7,655 and \$5,028, respectively.

Early Retirement Option – The Regional Office of Education No. 3 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 under the current program is 117.5 percent and applies when the member is age 55 at retirement.

For the years ended June 30, 2013, June 30, 2012 and June 30, 2011, the Regional Office of Education No. 3 made no payments to TRS for employer contributions under the Early Retirement Option.

Salary Increases Over 6 Percent and Excess Sick Leave – If an employer grants salary increases over 6 percent and those salaries are used to calculate a retiree's final average salary, the employer makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases of up to 6 percent.

For the years ended June 30, 2013, June 30, 2012, and June 30, 2011, the Regional Office of Education No. 3 made no payments for employer contributions to TRS due on salary increases in excess of 6 percent.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT FUND COMMITMENTS (Continued)

A. Teachers' Retirement System of the State of Illinois (Continued)

If the Regional Office of Education No. 3 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 No. 3 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 review 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, June 30, 2012, and June 30, 2011, the Regional Office of Education No. 3 made no payments for employer contributions to TRS for sick leave days granted in excess of the normal annual allotment.

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, IL 62794-9253. The most current report is also available on the TRS Web site at <http://trs.illinois.gov>.

B. Illinois Municipal Retirement Fund

Plan Description – The Regional Office of Education No. 3'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 No. 3's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy – As set by statute, the Regional Office of Education No. 3's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2012 was 13.27 percent. The Regional Office of Education No. 3 also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost – The required contribution for calendar year 2012 was \$54,315.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT FUND COMMITMENTS (Continued)

B. Illinois Municipal Retirement Fund (Continued)

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	\$ 54,315	100%	\$ -
12/31/2011	65,532	100%	-
12/31/2010	68,608	100%	-

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 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.0 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 10.0 percent per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3.0 percent annually. The actuarial value of the Regional Office of Education No. 3'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 20.0 percent corridor between the actuarial and market value of assets. The Regional Office of Education No. 3'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.

Funded Status and Funding Progress – As of December 31, 2012, the most recent actuarial valuation date, the Regular plan was 84.43 percent funded. The actuarial accrued liability for benefits was \$1,667,807 and the actuarial value of assets was \$1,408,156, resulting in an underfunded actuarial accrued liability (UAAL) of \$259,651. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$409,308 and the ratio of the UAAL to the covered payroll was 63 percent.

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

C. Social Security

Employees not qualifying for coverage under the Illinois Teachers' Retirement System or the Illinois Municipal Retirement Fund are considered "nonparticipating employees." These employees, and those qualifying for coverage under the Illinois Municipal Retirement Fund, are covered under Social Security.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

NOTES TO FINANCIAL STATEMENTS

7. OTHER POST EMPLOYMENT BENEFITS

Teacher Health Insurance Security Fund

The Regional Office of Education No. 3 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 No. 3. State contributions are intended to match contributions to THIS Fund from active members which were 0.92 percent of pay during the year ended June 30, 2013. State of Illinois contributions were \$3,542, and the Regional Office of Education No. 3 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 Regional Office employees were \$2,884 and \$3,645, respectively.

Employer contributions to THIS Fund - The Regional Office of Education No. 3 also makes contributions to THIS Fund. The Regional Office of Education No. 3 THIS Fund 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 No. 3 paid \$2,656 to the THIS Fund. For the years ended June 30, 2012 and June 30, 2011, the Regional Office of Education No. 3 paid \$2,163 and \$2,734 to the THIS Fund, respectively, which was 100 percent of the required contribution.

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."

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

NOTES TO FINANCIAL STATEMENTS

8. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2013, interfund receivables and payables were as follows:

Due To (Receivable)	Due From (Payable)	Balance at June 30, 2013
Proprietary Fund:	General Fund:	
Workshops	County	\$ 7,715
	Education Fund:	
	ROE/ISC Operations	2,043
	Alternative Education (TAOEP)	1,523
	Adult Education & Family Literacy	587
	Regional Safe Schools	1,744
	McKinney Education for Homeless Children	64,694
		70,591
		\$ 78,306

At June 30, 2013, all of the interfund balances consisted of loans between individual funds within the same pooled cash account. The loans were used to cover cash shortages in these individual funds.

9. BOND

The Illinois School Code (105 ILCS 5/3-2) directs the Regional Office of Education No. 3 to execute a bond of not less than \$100,000 on the Regional Superintendent. The Regional Office of Education No. 3 has secured and maintained such a bond with coverage of \$100,000 on the Regional Superintendent.

10. OPERATING LEASE

The Bond, Fayette, and Effingham Counties Regional Office of Education No. 3 has entered into operating leases through June 30, 2013 for its Alternative Education Programs to provide classroom space for the Focus and New Approach Schools and office space for grant programs. The Bond, Fayette, and Effingham Counties Regional Office of Education No. 3 also entered into an operating lease for its Alternative Education Programs to provide classroom space and office space for general use at the West Side School through June 30, 2014. Rent expense for 2013 totaled \$68,360.

The following is a schedule by year of minimum future rentals on noncancelable operating leases as of June 30, 2013:

Year ending June 30, 2014	\$ 25,000
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**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

NOTES TO FINANCIAL STATEMENTS

11. ON-BEHALF PAYMENTS

The Regional Office of Education No. 3 received on-behalf payments for employee salaries and benefits from the following entities for the following items:

Bond County:	
Office staff benefits	\$ 6,428
Fayette County:	
Office staff benefits	5,805
Effingham County:	
Office staff benefits	<u>5,612</u>
Total on-behalf payments - local	<u>17,845</u>
State of Illinois:	
Regional Superintendent-salary	103,032
Regional Superintendent-benefits (includes State paid insurance)	34,720
Assistant Regional Superintendent-salary	42,153
Assistant Regional Superintendent-benefits (includes State paid insurance)	611
THIS contributions	3,542
TRS pension contributions	<u>132,524</u>
Total on-behalf payments - state	<u>316,582</u>
Total on-behalf payments	<u>\$ 334,427</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.

The on-behalf payments are reflected as revenues and expenditures of the General Fund.

12. RISK MANAGEMENT - CLAIMS AND JUDGEMENTS

The Regional Office of Education No. 3 is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation; and natural disasters. The Regional Office of Education No. 3 is covered by commercial insurance to cover these risks of loss. No settlements have exceeded insurance coverage in the current or three previous years.

13. DEFICIT FUND BALANCES

The following individual fund carried a deficit balance as of June 30, 2013:

McKinney Education for Homeless Children	\$ 78
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The Regional Office of Education No. 3 intends to reduce this deficit by reducing expenditures in future periods.

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

NOTES TO FINANCIAL STATEMENTS

14. DUE TO/FROM OTHER GOVERNMENTS

The Regional Office of Education No. 3's General, Education, Nonmajor Special Revenue, and Enterprise Funds have amounts due from and due to various other governmental units which consist of the following at June 30, 2013:

Due From Other Governments:	
General Fund:	
Effingham County Clerk	<u>\$ 30,187</u>
Education Fund:	
Illinois State Board of Education	101,597
Illinois Community College Board	<u>4,551</u>
	<u>106,148</u>
Nonmajor Governmental Funds:	
Local school districts	168
Illinois Department of Corrections	<u>4,484</u>
	<u>4,652</u>
Enterprise Funds:	
Local school districts	<u>6,450</u>
Total	<u><u>\$ 147,437</u></u>
Due To Other Governments:	
Education Fund:	
Local school districts	<u><u>\$ 21,647</u></u>

15. CONTINGENCIES

The Regional Office of Education No. 3 has received funding from federal and State grants in the current and prior years which are subject to audits by granting agencies. The Regional Office of Education No. 3 believes any adjustments that may arise will be insignificant to the Regional Office of Education No. 3's operations.

16. SUBSEQUENT EVENTS

On November 22, 2013, the Illinois State Board of Education adopted a motion pursuant to its obligation under 105 ILCS 5/3A-4(a), which recognizes consolidations agreed to via county board resolutions prior to June 30, 2013. Effective July 1, 2015, Christian County and Montgomery County will be included in the Regional Office of Education No. 3.

**REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS)**

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS
UNAUDITED**

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]
12/31/2012	\$ 1,408,156	\$ 1,667,807	\$ 259,651	84.43 %	\$ 409,308	63.44 %
12/31/2011	1,331,444	1,615,028	283,584	82.44 %	557,246	50.89 %
12/31/2010	1,207,940	1,474,587	266,647	81.92 %	618,094	43.14 %

On a market value basis, the actuarial value of assets as of December 31, 2012 was \$1,445,173. On a market basis, the funded ratio would be 86.65 percent.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with the Bond, Fayette, and Effingham Counties Regional Office of Education No. 3. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100 percent funded.

SUPPLEMENTAL INFORMATION

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2013**

	General	County	EIU
ASSETS			
Cash and cash equivalents	\$ 35,777	\$ -	\$ 33,279
Due from other governments	-	30,187	-
	-	30,187	-
Total assets	\$ 35,777	\$ 30,187	\$ 33,279
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 30,266
Salaries and benefits payable	-	2,657	-
Due to other funds	-	7,715	-
	-	7,715	-
Total liabilities	-	10,372	30,266
FUND BALANCES			
Assigned	-	-	3,013
Unassigned	35,777	19,815	-
	35,777	19,815	-
Total fund balances	35,777	19,815	3,013
Total liabilities and fund balances	\$ 35,777	\$ 30,187	\$ 33,279

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**COMBINING SCHEDULE OF ACCOUNTS (Continued)
GENERAL FUND
June 30, 2013**

	Attendance Officer	Curriculum COOP	Truant Alternative/ Optional Education GSA
ASSETS			
Cash and cash equivalents	\$ 8,920	\$ 6,814	\$ 295,804
Due from other governments	-	-	-
Total assets	\$ 8,920	\$ 6,814	\$ 295,804
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Salaries and benefits payable	413	-	15,632
Due to other funds	-	-	-
Total liabilities	413	-	15,632
FUND BALANCES			
Assigned	8,507	6,814	280,172
Unassigned	-	-	-
Total fund balances	8,507	6,814	280,172
Total liabilities and fund balances	\$ 8,920	\$ 6,814	\$ 295,804

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

COMBINING SCHEDULE OF ACCOUNTS (Concluded)

GENERAL FUND

June 30, 2013

	<u>Regional Safe Schools Program GSA</u>	<u>Tuition</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 94,938	\$ 76,790	\$ 552,322
Due from other governments	-	-	30,187
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 94,938</u>	<u>\$ 76,790</u>	<u>\$ 582,509</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 30,266
Salaries and benefits payable	8,612	-	27,314
Due to other funds	-	-	7,715
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>8,612</u>	<u>-</u>	<u>65,295</u>
FUND BALANCES			
Assigned	86,326	76,790	461,622
Unassigned	-	-	55,592
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>86,326</u>	<u>76,790</u>	<u>517,214</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 94,938</u>	<u>\$ 76,790</u>	<u>\$ 582,509</u>

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
For the year ended June 30, 2013**

	<u>General</u>	<u>County</u>	<u>EIU</u>
Revenues:			
Local sources	\$ 30,440	\$ 187,701	\$ 87,123
State sources	-	-	-
On-behalf payments	334,427	-	-
Interest	391	-	-
	<u>365,258</u>	<u>187,701</u>	<u>87,123</u>
Total revenues			
	<u>365,258</u>	<u>187,701</u>	<u>87,123</u>
Expenditures:			
Salaries and benefits	36,737	162,295	2,924
Purchased services	2,759	27,843	85,537
Supplies and materials	261	3,076	-
Capital outlay	-	959	-
On-behalf payments	334,427	-	-
	<u>374,184</u>	<u>194,173</u>	<u>88,461</u>
Total expenditures			
	<u>374,184</u>	<u>194,173</u>	<u>88,461</u>
Excess (deficiency) of revenues over (under) expenditures	(8,926)	(6,472)	(1,338)
Fund balances, beginning of year	<u>44,703</u>	<u>26,287</u>	<u>4,351</u>
Fund balances, end of year	<u>\$ 35,777</u>	<u>\$ 19,815</u>	<u>\$ 3,013</u>

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (Continued)
GENERAL FUND ACCOUNTS
For the year ended June 30, 2013**

	Attendance Officer	Curriculum COOP	Truant Alternative/ Optional Education GSA
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Local sources	\$ 6,400	\$ 2,600	\$ 734
State sources	-	-	331,307
On-behalf payments	-	-	-
Interest	-	-	132
	<u>6,400</u>	<u>2,600</u>	<u>332,173</u>
Expenditures:			
Salaries and benefits	4,903	-	229,525
Purchased services	2,631	851	91,138
Supplies and materials	-	-	3,881
Capital outlay	-	-	6,580
On-behalf payments	-	-	-
	<u>7,534</u>	<u>851</u>	<u>331,124</u>
Excess (deficiency) of revenues over (under) expenditures	(1,134)	1,749	1,049
Fund balances, beginning of year	<u>9,641</u>	<u>5,065</u>	<u>279,123</u>
Fund balances, end of year	<u>\$ 8,507</u>	<u>\$ 6,814</u>	<u>\$ 280,172</u>

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (Concluded)
GENERAL FUND ACCOUNTS
For the year ended June 30, 2013**

	Regional Safe Schools Program GSA	Tuition	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Local sources	\$ -	\$ 16,888	\$ 331,886
State sources	145,465	-	476,772
On-behalf payments	-	-	334,427
Interest	-	-	523
	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>145,465</u>	<u>16,888</u>	<u>1,143,608</u>
Expenditures:			
Salaries and benefits	118,515	-	554,899
Purchased services	11,204	2,782	224,745
Supplies and materials	15,577	5,541	28,336
Capital outlay	-	3,313	10,852
On-behalf payments	-	-	334,427
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>145,296</u>	<u>11,636</u>	<u>1,153,259</u>
Excess (deficiency) of revenues over (under) expenditures	169	5,252	(9,651)
Fund balances, beginning of year	<u>86,157</u>	<u>71,538</u>	<u>526,865</u>
Fund balances, end of year	<u><u>\$ 86,326</u></u>	<u><u>\$ 76,790</u></u>	<u><u>\$ 517,214</u></u>

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2013**

	ROE/ISC Operations	Illinois Family Violence Coordinating Council	Truants Alternative/ Optional Education
ASSETS			
Cash and cash equivalents	\$ -	\$ 8,493	\$ -
Due from other governments	2,043	-	8,377
	<u>2,043</u>	<u>-</u>	<u>8,377</u>
Total assets	<u>\$ 2,043</u>	<u>\$ 8,493</u>	<u>\$ 8,377</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Salaries and benefits payable	\$ -	\$ -	\$ 6,854
Due to other governments	-	-	-
Due to other funds	2,043	-	1,523
Deferred revenue	-	1,431	-
	<u>-</u>	<u>1,431</u>	<u>-</u>
Total liabilities	<u>2,043</u>	<u>1,431</u>	<u>8,377</u>
FUND BALANCES			
Restricted	-	7,062	-
Unassigned	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficits)	<u>-</u>	<u>7,062</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 2,043</u>	<u>\$ 8,493</u>	<u>\$ 8,377</u>

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**COMBINING SCHEDULE OF ACCOUNTS (Continued)
EDUCATION FUND
June 30, 2013**

	<u>Adult Education & Family Literacy</u>	<u>Regional Safe Schools</u>	<u>McKinney Education for Homeless Children</u>
ASSETS			
Cash and cash equivalents	\$ 4,357	\$ -	\$ -
Due from other governments	<u>4,551</u>	<u>4,785</u>	<u>86,263</u>
Total assets	<u><u>\$ 8,908</u></u>	<u><u>\$ 4,785</u></u>	<u><u>\$ 86,263</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Salaries and benefits payable	\$ 8,321	\$ 3,041	\$ -
Due to other governments	-	-	21,647
Due to other funds	587	1,744	64,694
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>8,908</u>	<u>4,785</u>	<u>86,341</u>
FUND BALANCES			
Restricted	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(78)</u>
Total fund balances (deficits)	<u>-</u>	<u>-</u>	<u>(78)</u>
Total liabilities and fund balances	<u><u>\$ 8,908</u></u>	<u><u>\$ 4,785</u></u>	<u><u>\$ 86,263</u></u>

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**COMBINING SCHEDULE OF ACCOUNTS (Concluded)
EDUCATION FUND
June 30, 2013**

	<u>Title II Teacher Quality Leadership Grant</u>	<u>Alternative Education Programs - Other</u>	<u>IFVCC Arrest Grant</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 55,659	\$ 2,204	\$ 70,713
Due from other governments	-	129	-	106,148
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ -</u>	<u>\$ 55,788</u>	<u>\$ 2,204</u>	<u>\$ 176,861</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Salaries and benefits payable	\$ -	\$ -	\$ -	\$ 18,216
Due to other governments	-	-	-	21,647
Due to other funds	-	-	-	70,591
Deferred revenue	-	-	2,204	3,635
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>2,204</u>	<u>114,089</u>
FUND BALANCES				
Restricted	-	55,788	-	62,850
Unassigned	-	-	-	(78)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficits)	<u>-</u>	<u>55,788</u>	<u>-</u>	<u>62,772</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 55,788</u>	<u>\$ 2,204</u>	<u>\$ 176,861</u>

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
For the year ended June 30, 2013**

	<u>ROE/ISC Operations</u>	<u>Illinois Family Violence Coordinating Council</u>	<u>Truants Alternative/ Optional Education</u>
Revenues:			
Local sources	\$ -	\$ 1,500	\$ -
State sources	26,243	20,056	92,577
Federal sources	-	-	-
	<u>26,243</u>	<u>21,556</u>	<u>92,577</u>
Total revenues	<u>26,243</u>	<u>21,556</u>	<u>92,577</u>
Expenditures:			
Salaries and benefits	26,243	14,680	87,997
Purchased services	-	5,863	2,315
Supplies and materials	-	658	2,265
Payments to other governments	-	-	-
	<u>26,243</u>	<u>21,201</u>	<u>92,577</u>
Total expenditures	<u>26,243</u>	<u>21,201</u>	<u>92,577</u>
Excess (deficiency) of revenues over (under) expenditures	-	355	-
Fund balances (deficits), beginning of year	<u>-</u>	<u>6,707</u>	<u>-</u>
Fund balances (deficits), end of year	<u>\$ -</u>	<u>\$ 7,062</u>	<u>\$ -</u>

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (Continued)
EDUCATION FUND ACCOUNTS
For the year ended June 30, 2013**

	Adult Education & Family Literacy	Regional Safe Schools	McKinney Education for Homeless Children
Revenues:			
Local sources	\$ -	\$ -	\$ -
State sources	54,615	57,365	-
Federal sources	63,255	-	383,262
Total revenues	<u>117,870</u>	<u>57,365</u>	<u>383,262</u>
Expenditures:			
Salaries and benefits	99,857	41,089	92,524
Purchased services	10,180	16,276	19,121
Supplies and materials	7,833	-	1,933
Payments to other governments	-	-	222,769
Total expenditures	<u>117,870</u>	<u>57,365</u>	<u>336,347</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	46,915
Fund balances (deficits), beginning of year	<u>-</u>	<u>-</u>	<u>(46,993)</u>
Fund balances (deficits), end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (78)</u></u>

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (Concluded)
EDUCATION FUND ACCOUNTS
For the year ended June 30, 2013**

	Title II Teacher Quality Leadership Grant	Alternative Education Programs - Other	IFVCC Arrest Grant	Total
Revenues:				
Local sources	\$ -	\$ 11,201	\$ -	\$ 12,701
State sources	-	905	18,555	270,316
Federal sources	4,785	36,827	-	488,129
Total revenues	4,785	48,933	18,555	771,146
Expenditures:				
Salaries and benefits	185	-	10,276	372,851
Purchased services	4,600	46,002	5,610	109,967
Supplies and materials	-	333	-	13,022
Payments to other governments	-	-	-	222,769
Total expenditures	4,785	46,335	15,886	718,609
Excess (deficiency) of revenues over (under) expenditures	-	2,598	2,669	52,537
Fund balances (deficits), beginning of year	-	53,190	(2,669)	10,235
Fund balances (deficits), end of year	\$ -	\$ 55,788	\$ -	\$ 62,772

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ROE/ISC OPERATIONS - PROJECT #13-3730-00
For the year ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
Revenues:			
State sources	<u>\$ 26,243</u>	<u>\$ 26,243</u>	<u>\$ 26,243</u>
Expenditures:			
Salaries and benefits	<u>26,243</u>	<u>26,243</u>	<u>26,243</u>
Total expenditures	<u>26,243</u>	<u>26,243</u>	<u>26,243</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	-
Fund balance, beginning of year			<u>-</u>
Fund balance, end of year			<u>\$ -</u>

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TRUANTS ALTERNATIVE/OPTIONAL EDUCATION - PROJECT #13-3695-13
For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
State sources	\$ 92,577	\$ 92,577	\$ 92,577
Expenditures:			
Salaries and benefits	87,962	87,962	87,997
Purchased services	2,865	2,865	2,315
Supplies and materials	1,750	1,750	2,265
Total expenditures	92,577	92,577	92,577
Excess of revenues over expenditures	\$ -	\$ -	-
Fund balance, beginning of year			-
Fund balance, end of year			\$ -

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ADULT EDUCATION & FAMILY LITERACY - PROJECT #501AA (FY 2013)
For the year ended June 30, 2013**

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues:			
State sources	\$ 54,615	\$ 54,615	\$ 54,615
Federal sources	63,255	63,255	63,255
	117,870	117,870	117,870
Total revenues	117,870	117,870	117,870
Expenditures:			
Salaries and benefits	99,857	99,857	99,857
Purchased services	10,180	10,180	10,180
Supplies and materials	7,833	7,833	7,833
	117,870	117,870	117,870
Total expenditures	117,870	117,870	117,870
Excess of revenues over expenditures	\$ -	\$ -	-
Fund balance, beginning of year			-
Fund balance, end of year			\$ -

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
REGIONAL SAFE SCHOOLS - PROJECT #13-3696-00
For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
State sources	<u>\$ 57,365</u>	<u>\$ 57,365</u>	<u>\$ 57,365</u>
Expenditures:			
Salaries and Benefits	41,062	41,062	41,089
Purchased services	16,303	16,303	16,276
Supplies and materials	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>57,365</u>	<u>57,365</u>	<u>57,365</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	-
Fund balance, beginning of year			<u>-</u>
Fund balance, end of year			<u>\$ -</u>

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
MCKINNEY EDUCATION FOR HOMELESS CHILDREN - PROJECT #12-4920-00
For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Federal sources	\$ 226,000	\$ 270,195	\$ 139,385
Expenditures:			
Salaries and benefits	55,104	55,104	4,344
Purchased services	11,910	16,369	357
Supplies and materials	1,982	2,690	(950)
Payments to other gov'ts	157,004	196,032	88,641
Total expenditures	226,000	270,195	92,392
Excess of revenues over expenditures	\$ -	\$ -	46,993
Fund balance, July 1, 2012			(46,993)
Fund balance, September 30, 2012			\$ -

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
MCKINNEY EDUCATION FOR HOMELESS CHILDREN - PROJECT #13-4920-00
For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Federal sources	\$ 226,000	\$ 264,734	\$ 243,877
Expenditures:			
Salaries and benefits	47,221	47,221	88,180
Purchased services	8,579	10,059	18,764
Supplies and materials	700	700	2,883
Payments to other gov'ts	169,500	206,754	134,128
Total expenditures	226,000	264,734	243,955
Deficiency of revenues under expenditures	\$ -	\$ -	(78)
Fund balance, October 1, 2012			-
Fund balance (deficit), end of year			\$ (78)

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE II - TEACHER QUALITY - LEADERSHIP GRANT - PROJECT #13-4935-02
For the year ended June 30, 2013**

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues:			
Federal sources	\$ 4,785	\$ 4,785	\$ 4,785
Expenditures:			
Salaries and benefits	185	185	185
Purchased services	4,600	4,600	4,600
Total expenditures	4,785	4,785	4,785
Excess of revenues over expenditures	\$ -	\$ -	-
Fund balance, beginning of year			-
Fund balance, end of year			\$ -

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2013**

	<u>General Education Development</u>	<u>ROE School Bus Driver Training</u>	<u>Supervisory</u>
ASSETS			
Cash and cash equivalents	\$ 16,102	\$ 17,308	\$ 2,091
Due from other governments	4,484	168	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 20,586</u>	<u>\$ 17,476</u>	<u>\$ 2,091</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 3,736	\$ -
Salaries and benefits payable	25	-	-
Deferred revenue	504	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>529</u>	<u>3,736</u>	<u>-</u>
FUND BALANCES			
Restricted	<u>20,057</u>	<u>13,740</u>	<u>2,091</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 20,586</u>	<u>\$ 17,476</u>	<u>\$ 2,091</u>

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**COMBINING BALANCE SHEET (Concluded)
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2013**

	Institute	Total
ASSETS		
Cash and cash equivalents	\$ 38,112	\$ 73,613
Due from other governments	-	4,652
Total assets	\$ 38,112	\$ 78,265
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ -	\$ 3,736
Salaries and benefits payable	-	25
Deferred revenue	-	504
Total liabilities	-	4,265
FUND BALANCES		
Restricted	38,112	74,000
Total liabilities and fund balances	\$ 38,112	\$ 78,265

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the year ended June 30, 2013**

	General Education Development	ROE School Bus Driver Training	Supervisory
Revenues:			
Local sources	\$ 9,352	\$ 6,502	\$ -
State sources	14,808	817	-
	<u>24,160</u>	<u>7,319</u>	<u>-</u>
Expenditures:			
Salaries and benefits	15,014	-	-
Purchased services	3,467	5,016	469
Supplies and materials	4,625	-	52
	<u>23,106</u>	<u>5,016</u>	<u>521</u>
Excess (deficiency) of revenues over (under) expenditures	1,054	2,303	(521)
Fund balance, beginning of year	<u>19,003</u>	<u>11,437</u>	<u>2,612</u>
Fund balance, end of year	<u>\$ 20,057</u>	<u>\$ 13,740</u>	<u>\$ 2,091</u>

**BOND, FAYETTE, AND EFFINGHAM COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (Concluded)
NONMAJOR SPECIAL REVENUE FUNDS
For the year ended June 30, 2013**

	Institute	Total
Revenues:		
Local sources	\$ 24,002	\$ 39,856
State sources	-	15,625
	24,002	55,481
Expenditures:		
Salaries and benefits	-	15,014
Purchased services	26,174	35,126
Supplies and materials	44	4,721
	26,218	54,861
Excess (deficiency) of revenues over (under) expenditures	(2,216)	620
Fund balance, beginning of year	40,328	73,380
Fund balance, end of year	\$ 38,112	\$ 74,000