

**STATE OF ILLINOIS
HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

OFFICIALS

Regional Superintendent (current and during the audit period).....Mr. Ron Daniels

Assistant Regional Superintendent (current and during the audit period) Ms. Melanie Andrews

Offices are located at:

Jefferson County Office
1714 Broadway
Mt. Vernon, IL 62864

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

FINANCIAL REPORT SUMMARY

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	6	10
Repeated audit findings	6	4
Prior recommendations implemented or not repeated	4	10

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>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
2013-001	11	Controls Over Financial Statement Preparation	Material Weakness
2013-002	13	Inadequate Controls Over Cash	Material Weakness
2013-003	16	Internal Controls Over Payroll	Significant Deficiency
2013-004	18	Internal Control Over Grant Compliance	Significant Deficiency and Compliance
2013-005	20	Internal Controls Over Cash Disbursements	Significant Deficiency
2013-006	22	Excess Working Cash in Internal Service Fund	Compliance

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

12-02	Inadequate Review of Journal Entries	Material Weakness
12-03	Cash Account Not Recorded on the Books	Material Weakness
12-07	Internal Controls Over Revenues	Material Weakness
12-10	Internal Control Over Distributive Funds	Material Weakness

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

FINANCIAL REPORT SUMMARY (Continued)

EXIT CONFERENCE

The Hamilton and Jefferson Counties Regional Office of Education No. 25 opted not to have a formal exit conference during the financial audit for the year ended June 30, 2013. Throughout the audit, numerous meetings were held between the 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 January 3, 2014.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of the Hamilton and Jefferson Counties Regional Office of Education No. 25 was performed by West & Company, LLC.

Based on their audit, the auditors expressed an unmodified opinion on the Hamilton and Jefferson Counties Regional Office of Education No. 25'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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OFFICES

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MATTOON
SULLIVAN

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 Hamilton and Jefferson Counties Regional Office of Education No. 25, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Hamilton and Jefferson Counties Regional Office of Education No. 25's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Hamilton and Jefferson Counties Regional Office of Education No. 25'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 Hamilton and Jefferson Counties Regional Office of Education No. 25, 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 32A-32H and 70 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 Hamilton and Jefferson Counties Regional Office of Education No. 25'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 May 6, 2014 on our consideration of the Hamilton and Jefferson Counties Regional Office of Education No. 25'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 Hamilton and Jefferson Counties Regional Office of Education No. 25's internal control over financial reporting and compliance.

West + Company, LLC

Mattoon, Illinois
May 6, 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 Hamilton and Jefferson Counties Regional Office of Education No. 25, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Hamilton and Jefferson Counties Regional Office of Education No. 25's basic financial statements, and have issued our report thereon dated May 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hamilton and Jefferson Counties Regional Office of Education No. 25'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 Hamilton and Jefferson Counties Regional Office of Education No. 25's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hamilton and Jefferson Counties Regional Office of Education No. 25's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as findings 2013-001 and 2013-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in in the accompanying Schedule of Findings and Responses as findings 2013-003, 2013-004, and 2013-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hamilton and Jefferson Counties Regional Office of Education No. 25'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as findings 2013-004 and 2013-006.

Hamilton and Jefferson Counties Regional Office of Education No. 25's Responses to Findings

The Hamilton and Jefferson Counties Regional Office of Education No. 25's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Hamilton and Jefferson Counties Regional Office of Education No. 25's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hamilton and Jefferson Counties Regional Office of Education No. 25'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 Regional Office of Educations No. 25's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

West + Company, LLC

Mattoon, Illinois
May 6, 2014

SCHEDULE OF FINDINGS AND RESPONSES

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
For the year ended June 30, 2013**

Section I -- Summary of Auditors' Results

Financial statements

Type of auditors' report issued: UNMODIFIED

Internal control over financial reporting:

- Material weakness(es) identified? X yes no

- Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? X yes no

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Section II: Financial Statement Findings

FINDING NO. 2013-001 – Controls Over Financial Statement Preparation (Repeat of Finding 12-01, 11-01, 10-01, 09-01, 08-01, and 07-05)

Criteria/Specific Requirement:

The Hamilton and Jefferson Counties Regional Office of Education No. 25 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. 25'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. 25 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting and posts year-end accrual entries for financial statement purposes. The Regional Office does not have sufficient internal controls over the processing of some accounting transactions. There are not sufficient controls over the preparation/review of 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 errors and 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 have adequate controls over the maintenance of complete records of cash by fund, accounts receivable, capital assets, or deferred revenue.
- The Regional Office did not post prior year audit adjusting entries correctly. This resulted in the Regional Office's ending fund balance from fiscal year 2012 rolling forward to fiscal year 2013 incorrectly.
- Numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Section II: Financial Statement Findings (Continued)

FINDING NO. 2013-001 – Controls Over Financial Statement Preparation (Repeat of Finding 12-01, 11-01, 10-01, 09-01, 08-01, and 07-05) (Continued)

Effect:

The Regional Office of Education No. 25 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. 25 management, the office staff is still learning the policies and procedures and needs additional training in internal controls and GAAP based financial reporting.

Auditors' Recommendation:

As a part of its internal control over the preparation of financial statements, including disclosures, the Regional Office of Education No. 25 should implement comprehensive preparation and/or review procedures to ensure the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

Additionally, the Regional Office of Education No. 25 should design and implement a system of processes and controls that will ensure complete records are maintained and all transactions are properly recorded in the general ledger.

Management's Response:

The Regional Office of Education #25 understands the nature of this finding with the reduced financial support from the state and a small staff. The ROE will continue to provide necessary training of GAAP accounting procedures. With available funding, the Regional Superintendent will attempt to hire an individual or firm to prepare and review the ROE's financial statements.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Section II: Financial Statement Findings (Continued)

FINDING NO. 2013-002 – Inadequate Controls Over Cash (Partial Repeat of Finding 12-04)

Criteria/Specific Requirement:

The Regional Office of Education No. 25 is responsible for the safeguarding of assets and maintaining an adequate system of internal controls over accounting transactions to prevent error or fraud. In addition, bank reconciliations should be performed on a regular basis and all differences between the bank balance and the general ledger balance should be investigated and resolved.

Condition:

During our audit of the Regional Office of Education No. 25, we noted the following deficiencies related to its internal control over cash:

- The Regional Office of Education did not have an accurate general ledger cash balance for their pooled cash account or an accurate bank reconciliation as of June 30, 2013.
- While it is the policy of the Regional Office of Education No. 25 that disbursement checks contain dual signatures, this control is not adequate because the bookkeeper maintains custody of a stamp of the Regional Superintendent's signature. The bookkeeper also maintains the books, custody of blank checks, and reconciles the bank accounts.
- The Regional Office of Education No. 25 used bank debit cards through April, 2013. The holders of the debit cards were able to use the debit cards anywhere they were accepted. Because cash is immediately removed from the Regional Office bank account in debit purchases, these transactions were not subject to the Regional Office internal control procedures and unauthorized purchases could have been made without recourse by the Regional Office.
- The Regional Office of Education No. 25 held blank checks at the end of each period in order to maintain the check sequence if a prior period liability was identified after the fact.

Effect:

Without effective internal controls in place, assets can be misappropriated or otherwise used for unauthorized purposes. Disbursements made through the use of debit cards cannot be authorized prior to the cash being paid. The bank reconciliation ending cash balance did not agree with the general ledger cash balance at June 30, 2013. Additionally, without adequate segregation of duties, instances of errors or fraud within the accounting system may not be detected and corrected in a timely manner.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Section II: Financial Statement Findings (Continued)

FINDING NO. 2013-002 – Inadequate Controls Over Cash (Partial Repeat of Finding 12-04)
(Continued)

Cause:

According to Regional Office officials:

- When revenue was deposited, an entry was made to credit revenue in one account and debit revenue in another account causing both assets and revenue to be understated by approximately \$6,000.
- By having dual signatures on their checks they were implementing a better internal control system than a single authorized check system provides. They did not consider the lack of segregation of duties or the signature stamp as weaknesses in the control.
- The use of debit cards made purchasing items for the programs it administers easier and they did not consider that the cards could be misused.
- The bookkeeper believed keeping checks in sequence order would make record keeping easier.

Auditors' Recommendation:

The Regional Office of Education No. 25 should implement proper controls for the safeguarding of assets and maintain an adequate system of internal controls over accounting transactions to prevent error or fraud.

- Bank reconciliations should be prepared monthly and all differences between the bank balance and the general ledger balance should be investigated and resolved.
- If a signature stamp is considered necessary, it should be secured and maintained by individuals who do not have check signing authority or maintain the books and records of the Regional Office.
- Debit cards should not be used for Regional Office purchases.
- The Regional Office of Education No. 25 should not hold blank checks and should write checks in number sequence as payments are disbursed.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Section II: Financial Statement Findings (Continued)

FINDING NO. 2013-002 – Inadequate Controls Over Cash (Partial Repeat of Finding 12-04)
(Continued)

Management's Response:

The signature stamp is now maintained by an individual without signing authority. The signature stamp is rarely used to sign checks. It is used for certification documents. Although all debit card purchases were pre-approved by the Regional Superintendent, a debit card is no longer used and necessary purchases are made using a credit card. The bookkeeper has been directed not to hold checks at the end of a fiscal year.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Section II: Financial Statement Findings (Continued)

FINDING NO. 2013-003 – Internal Controls Over Payroll (Partial Repeat of Finding 12-05, 11-06)

Criteria/Specific Requirement:

The *Regional Office of Education (ROE) Accounting Manual* (Section XIV) general policies concerning payroll procedures states that a master record should be maintained on each employee or contractor for federal and state reporting purposes. The master payroll record should contain at least the following: employee name, social security number, address, date of hire, rate of pay, and terms of contract/agreement.

In addition, the *ROE Accounting Manual* (Section XIV) states all payroll costs should be supported by time and effort attendance records (prepared at least monthly and signed by the employee) that account for the total activity for which each employee is compensated. Only actual payroll costs supported by time sheets should be charged to each Source of Funds.

Good business practices suggest payroll transactions and direct deposit submissions should be reviewed and approved by the Regional Superintendent to ensure that proper amounts were paid and allocated to the proper funds. Finally, sound business practices require that a listing of job titles, descriptions of job duties and responsibilities and related pay scale be maintained and adhered to.

Condition:

During the course of the audit, we noted that certain employees' assigned functions included tasks for various programs, but their salaries and benefits were not allocated based on actual time and effort spent on those programs.

During our review of payroll, we tested thirty-six (36) employees and forty (40) payroll transactions, covering nineteen (19) payroll periods, and noted the following exceptions:

- In three (3) of the forty (40) (8%) transactions tested, there was no pay rate schedule information maintained by the bookkeeper.
- In sixteen (16) of the forty (40) (40%) transactions tested, adequate time and effort sheets were not maintained.
- In two (2) of the thirty-six (36) (5.5%) employees tested, the amount paid to the employee differed from the approved contract amount. No indication of extra work was documented.
- In four (4) of the nineteen (19) (21%) direct deposit payroll periods tested, a final direct deposit transmittal was not approved by either the Regional Superintendent or Assistant Regional Superintendent.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Section II: Financial Statement Findings (Continued)

FINDING NO. 2013-003 – Internal Controls Over Payroll (Partial Repeat of Finding 12-05, 11-06)
(Continued)

Effect:

The absence of a sound system of internal controls over payroll can result in inaccurate reporting of payroll expenditures in the financial statements and/or within specific funds. Without maintained time and effort sheets, the allocation of employees' time across funds cannot be accurately determined. Without adequate documentation supporting amounts paid outside of approved employment contracts, actual payroll expenditures cannot be compared to those that were approved by management.

Cause:

The Regional Office did not document when terms or pay amount changes were made to employee contracts or update the pay schedules to reflect those changes. The Regional Office believed that by documenting that an employee worked on various programs each day, rather than the number of hours worked, there was sufficient support to allocate time and effort across funds. The bookkeeper indicated that she sometimes did not print the final direct deposit transmittal for review and approval.

Auditors' Recommendation:

The Regional Office of Education No. 25 should implement proper controls over payroll, including properly documenting any changes to salary, job title and/or job duties and responsibilities. Each change should be clearly described and approved by the Regional Superintendent on an employee contract and updated on the bookkeeper's pay schedule.

Time and effort sheets should be completed and maintained and the Regional Superintendent should approve payroll only after proper fund allocation has been determined. The Regional Superintendent should also review and approve direct deposit confirmation reports to ensure that accurate payroll has been disbursed.

Management's Response:

The Regional Superintendent always approves any salary or job changes. Extra duties or responsibilities assigned and paid will be more clearly documented in the employee's personnel file and on the bookkeeper's pay schedule. The Regional Office of Education will work with auditors to understand the exact style and type of time and effort sheet that should be kept for employees paid out of multiple accounts.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Section II: Financial Statement Findings (Continued)

FINDING NO. 2013-004 – Internal Control Over Grant Compliance (Partial repeat of Finding 12-06)

Criteria/Specific Requirement:

As a recipient of federal, State, and local funds from various grantor agencies, the Regional Office must incorporate certain procedures into their operations in order to comply with the grant agreements with these entities.

The Regional Office is responsible for establishing and maintaining an internal control system over the completion of timely quarterly expenditure reports required for grants administered by the Illinois State Board of Education.

In addition, grant agreements require the Regional Office to report actual expenditures incurred rather than reporting expenditures based on the amount budgeted in the grant agreement. The Regional Office is required to spend funding in accordance with budgets submitted to grantors.

Condition:

During the course of our audit, we noted the following related to the controls over grant compliance:

- The Regional Office did not document the time and effort of employees that work for or were paid from multiple grants (Finding 2013-003) so that salary can be allocated to the grants based on actual costs.
- The final expenditure reports for the Truants Alternative/Optional Education and Regional Safe Schools grants were both submitted to the Illinois State Board of Education 12 days late.

Effect:

Without documented time and effort sheets for employees that worked for or were paid from multiple grants, grant programs may have been over or under allocated for salary and benefit expenses.

Failure to submit final expenditure reports within ninety days of the project ending date may result in withholding of funds for the subsequent year until the report is received.

Cause:

The Regional Office believed that by documenting that an employee worked on various programs each day, rather than the number of hours worked, there was sufficient support to allocate time and effort across funds. The Regional Office did not have an internal control system in place to ensure timely expenditure reports were filed to the Illinois State Board of Education.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Section II: Financial Statement Findings (Continued)

FINDING NO. 2013-004 – Internal Control over Grant Compliance (Partial repeat of Finding 12-06) (Continued)

Auditors' Recommendation:

The Regional Office should formally document time and effort spent on each grant for employees paid from multiple grant sources and allocate actual costs to each grant accordingly. The Regional Office should implement an internal control system to ensure that timely expenditure reports are filed with the Illinois State Board of Education.

Management's Response:

Time and effort sheets are kept for all employees. Salary allotted from each grant is based on funds available, and cannot always be determined by the hours worked on a particular grant since needs fluctuate each school year. The bookkeeper will file final expenditure reports in a timely manner.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Section II: Financial Statement Findings (Continued)

FINDING NO. 2013-005 – Internal Controls over Cash Disbursements (Partial Repeat of Finding 12-08, 11-09)

Criteria/Specific Requirement:

The *Regional Office of Education (ROE) Accounting Manual* (Foreword) establishes that the Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system that provides reasonable assurance about the reliability of its GAAP financial statements, operational compliance with legal and contractual provisions, safeguarding of assets, and effectiveness and efficiency of ROE operations.

Regional Office of Education No. 25 policies and procedures indicate that all cash disbursements, other than those for payment on regular monthly utilities, would be initiated through the preparation of a purchase order. The purchase order would be later matched to the invoice and then subsequently entered into the general ledger for payment.

Condition:

During our detail testing of cash disbursements we selected sixty-four (64) individual check disbursements, twenty-five (25) debit card, and twenty-two (22) credit card transactions and noted the following exceptions:

- In one (1) of the sixty-four (64) (2%) check disbursements tested, the payment was greater than the amount approved by the purchase order.
- In twelve (12) of the twenty-three (23) (52%) disbursements requiring purchase orders, no purchase order was prepared.
- In five (5) of the twenty-five (25) (20%) debit card disbursements tested, the purchase order and/or invoice did not contain a general ledger account number.
- In all of the twenty-two (22) (100%) credit card transactions tested, no purchase order was present.

Effect:

The internal control weaknesses illustrated by the exceptions noted above could result in unintentional or intentional errors or misappropriation of assets, where the errors or fraud could be material to the financial statements and may not be detected in a timely manner by employees in the normal course of performing their assigned duties.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Section II: Financial Statement Findings (Continued)

FINDING NO. 2013-005 – Internal Controls over Cash Disbursements (Partial Repeat of Finding 12-08, 11-09) (Continued)

Cause:

The Regional Office of Education No. 25 did not have adequate procedures for internal control over cash disbursements.

Auditors' Recommendation:

The Regional Office of Education No. 25's management should ensure the Regional Office designs and implements an adequate system of internal controls over cash disbursements to prevent errors and fraud. All disbursements made by the Regional Office should be supported by sufficient documentation and should be recorded in the correct fund.

Management's Response:

The Regional Superintendent will implement tighter control over cash disbursements by assigning a second staff member to review disbursement statements and fund allocations. Purchase orders will be prepared for all disbursements that require them.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Section II: Financial Statement Findings (Continued)

FINDING NO. 2013-006 – Excess Working Cash in Internal Service Fund (Partial Repeat of Finding 12-09, 11-13, 10-03, 09-03)

Criteria/Specific Requirement:

Internal Service Funds are used to account for the Regional Office of Education No. 25's administrative services, which are provided to many of the Regional Office's funds. Revenue is generated through charges to other funds using inter-fund billings. Regulations set forth by *OMB Circular A-87 (Revised 5/10/04)* require charges by an internal service activity to provide for the establishment and maintenance of a reasonable level of working capital reserve. In addition, the full recovery of costs is allowable. A working capital reserve of up to 60 days cash expenses for normal operating purposes is considered reasonable. A working capital reserve exceeding 60 days may be maintained for exceptional cases; however, it requires approval of the cognizant Federal agency.

In addition, *OMB Circular A-87* states that if the entity's revenues exceed allowable costs, an adjustment must be made by: a) a cash refund to the Federal Government for the Federal share of the adjustment, b) credits to the amounts charged to the individual programs, c) adjustments to future billing rates, or d) adjustments to allocated central service costs.

Condition:

Over the last two years, average annual expenses within the Workers' Compensation Fund, an Internal Service Fund, was \$7,355.64. Workers' Compensation Fund cash at June 30, 2013 totaled \$88,664.30, representing approximately 4,400 days of average expenses.

Effect:

During the year ended June 30, 2013, the indirect cost rates charged to the Workers' Compensation Fund were not reduced nor were the individual funds overcharged in prior years credited. The Regional Office is not in compliance with *OMB Circular A-87*.

Cause:

The Regional Office of Education No. 25's prior years' indirect cost rates were too high, as the calculations included funding for future expenditures.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Section II: Financial Statement Findings (Continued)

FINDING NO. 2013-006 – Excess Working Cash in Internal Service Fund (Partial Repeat of Finding 12-09, 11-13, 10-03, 09-03) (Continued)

Auditors' Recommendation:

The Regional Office of Education No. 25 should examine and adjust the indirect cost rate as needed and provide credits to the individual programs overcharged in prior years.

Management's Response:

The Regional Superintendent understands the finding that indirect cash charged to the Workers' Compensation Fund was not reduced enough, and has since stopped paying any funds into this account until it has been reduced properly.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**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.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Corrective Action Plan

FINDING NO. 2013-001 – Controls Over Financial Statement Preparation (Repeat of Finding 12-01, 11-01, 10-01, 09-01, 08-01, and 07-05)

Condition:

The Regional Office of Education No. 25 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting and posts year-end accrual entries for financial statement purposes. The Regional Office does not have sufficient internal controls over the processing of some accounting transactions. There are not sufficient controls over the preparation/review of 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 errors and 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 have adequate controls over the maintenance of complete records of cash by fund, accounts receivable, capital assets, or deferred revenue.
- The Regional Office did not post prior year audit adjusting entries correctly. This resulted in the Regional Office's ending fund balance from fiscal year 2012 rolling forward to fiscal year 2013 incorrectly.
- Numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.

Plan:

With limited funding, the ROE will continue to implement and adjust current procedures and controls to better ensure accurate records. If funding is available, an external auditor or audit firm will be hired to help prepare and review the ROE's financial statements.

Anticipated Date of Completion:

June 30, 2014

Name of Contact Person:

Mr. Ron Daniels, Regional Superintendent

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Corrective Action Plan (Continued)

FINDING NO. 2013-002 – Inadequate Controls Over Cash (Partial Repeat of Finding 12-04)

Condition:

During our audit of the Regional Office of Education No. 25, we noted the following deficiencies related to its internal control over cash:

- The Regional Office of Education did not have an accurate general ledger cash balance for their pooled cash account or an accurate bank reconciliation as of June 30, 2013.
- While it is the policy of the Regional Office of Education No. 25 that disbursement checks contain dual signatures, this control is not adequate because the bookkeeper maintains custody of a stamp of the Regional Superintendent's signature. The bookkeeper also maintains the books, custody of blank checks, and reconciles the bank accounts.
- The Regional Office of Education No. 25 used bank debit cards through April, 2013. The holders of the debit cards were able to use the debit cards anywhere they were accepted. Because cash is immediately removed from the Regional Office bank account in debit purchases, these transactions were not subject to the Regional Office internal control procedures and unauthorized purchases could have been made without recourse by the Regional Office.
- The Regional Office of Education No. 25 held blank checks at the end of each period in order to maintain the check sequence if a prior period liability was identified after the fact.

Plan:

Several adjustments have already been implemented by the Regional Superintendent to address this finding. The signature stamp is rarely used for checks and is stored with an individual without signing authority. Debit cards are no longer used and blank checks will not be held at the end of the year. Bank reconciliation will be closely monitored by the Regional Superintendent and Assistant Regional Superintendent.

Anticipated Date of Completion:

December 1, 2013

Name of Contact Person:

Mr. Ron Daniels, Regional Superintendent

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Corrective Action Plan (Continued)

FINDING NO. 2013-003 – Internal Controls Over Payroll (Partial Repeat of Finding 12-05, 11-06)

Condition:

During the course of the audit, we noted that certain employees' assigned functions included tasks for various programs, but their salaries and benefits were not allocated based on actual time and effort spent on those programs.

During our review of payroll, we tested thirty-six (36) employees and forty (40) payroll transactions, covering nineteen (19) payroll periods, and noted the following exceptions:

- In three (3) of the forty (40) (8%) transactions tested, there was no pay rate schedule information maintained by the bookkeeper.
- In sixteen (16) of the forty (40) (40%) transactions tested, adequate time and effort sheets were not maintained.
- In two (2) of the thirty-six (36) (5.5%) employees tested, the amount paid to the employee differed from the approved contract amount. No indication of extra work was documented.
- In four (4) of the nineteen (19) (21%) direct deposit payroll periods tested, a final direct deposit transmittal was not approved by either the Regional Superintendent or Assistant Regional Superintendent.

Plan:

The Regional Superintendent has implemented the use of more detailed time and effort sheets. All extra work will continue to be documented and the Regional Superintendent will sign off on all direct deposit transmittals.

Anticipated Date of Completion:

June 30, 2014

Name of Contact Person:

Mr. Ron Daniels, Regional Superintendent

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Corrective Action Plan (Continued)

FINDING NO. 2013-004 – Internal Control Over Grant Compliance (Partial repeat of Finding 12-06)

Condition:

During the course of our audit, we noted the following related to the controls over grant compliance:

- The Regional Office did not document the time and effort of employees that worked for or were paid from multiple grants (Finding 2013-003) so that salary could be allocated to the grants based on actual costs.
- The final expenditure reports for the Truants Alternative/Optional Education and Regional Safe Schools grants were both submitted to the Illinois State Board of Education 12 days late.

Plan:

The Regional Superintendent will use the more detailed time and effort sheets to determine allocation of funds to pay salaries of individuals paid from various sources. All expenditure reports will be filed in a timely manner.

Anticipated Date of Completion:

June 30, 2014

Name of Contact Person:

Mr. Ron Daniels, Regional Superintendent

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Corrective Action Plan (Continued)

FINDING NO. 2013-005 – Internal Controls over Cash Disbursements (Partial Repeat of Finding 12-08, 11-09)

Condition:

During our detail testing of cash disbursements we selected sixty-four (64) individual check disbursements, twenty-five (25) debit card, and twenty-two (22) credit card transactions and noted the following exceptions:

- In one (1) of the sixty-four (64) (2%) check disbursements tested, the payment was greater than the amount approved by the purchase order.
- In twelve (12) of the twenty-three (23) (52%) disbursements requiring purchase orders, no purchase order was prepared.
- In five (5) of the twenty-five (25) (20%) debit card disbursements tested, the purchase order and/or invoice did not contain a general ledger account number.
- In all of the twenty-two (22) (100%) credit card transactions tested, no purchase order was present.

Plan:

The Regional Office of Education will implement closer control over the cash disbursement and documents provided by the bookkeeper to ensure adequate procedures are followed when purchases are made, and that expenses are recorded to the correct fund.

Anticipated Date of Completion:

June 30, 2014

Name of Contact Person:

Mr. Ron Daniels, Regional Superintendent

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Corrective Action Plan (Continued)

FINDING NO. 2013-006– Excess Working Cash in Internal Service Fund (Partial Repeat of Finding 12-09, 11-13, 10-03, 09-03)

Condition:

Over the last two years, average annual expenses within the Workers' Compensation Fund, an Internal Service Fund, was \$7,355.64. Workers' Compensation Fund cash at June 30, 2013 totaled \$88,664.30, representing approximately 4,400 days of average expenses.

Plan:

Since the fund balance in the Workers' Compensation Fund is not in compliance with OMB Circular A-87, the Regional Superintendent is not allocating any indirect costs to individual accounts and will credit funds to individual programs overcharged in previous years.

Anticipated Date of Completion:

June 30, 2014

Name of Contact Person:

Mr. Ron Daniels, Regional Superintendent

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Finding Number	Condition	Current Status
12-01	Controls Over Financial Statement Preparation	Repeated as finding 2013-001
12-02	Inadequate Review of Journal Entries	Resolved
12-03	Cash Account Not Recorded on the Books	Resolved
12-04	Inadequate Controls Over Cash	Partially repeated as finding 2013-002
12-05	Internal Controls Over Payroll	Partially repeated as finding 2013-003
12-06	Internal Controls Over Grant Compliance	Partially repeated as finding 2013-004
12-07	Internal Controls Over Revenues	Resolved
12-08	Internal Controls over Cash Disbursements	Partially repeated as finding 2013-005
12-09	Excess Working Cash in Internal Service Fund	Partially repeated as finding 2013-006
12-10	Internal Control Over Distributive Funds	Resolved

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

The Hamilton/Jefferson Counties Regional Office of Education #25 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. Readers are encouraged to consider the information in conjunction with the Regional Office's financial statements that follow.

2013 Financial Highlights

- Within the Governmental Funds, the General Fund revenues decreased by \$16,754 from \$1,533,177 in FY12 to \$1,516,423 in FY13. Revenues from state sources decreased, while revenue from local sources and on-behalf payments increased. General Fund expenditures increased by \$218,012 from \$1,418,688 in FY12 to \$1,636,700 in FY13. Expenditures for salary and benefits, purchased services, supplies, payments to other governmental units, and on-behalf payments all increased. Revenue from state sources is down primarily due to a decrease of \$116,351 in the alternative school state aid.
- The Education Fund revenues increased from \$672,436 in FY12 to \$704,319 in FY13, while Education Fund Expenditures increased from \$674,562 in FY12 to \$743,314 in FY13. The slight increase in salaries and benefits, plus the addition of teachers in the Pre-Kindergarten program helped lead to increased salary and benefit expenditures.

Using This Report

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

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Reporting the Regional Office as a Whole

The Statement of Net Position and the Statement of Activities

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

The two Government-wide statements report the Regional Office’s net position and how it has changed. Net position – the difference between the assets and liabilities – is one way to measure the Regional Office’s financial health or condition.

- Over time, increases or decreases in the net position can be an indicator of whether the financial position is improving or deteriorating, respectively.
- To assess the Regional Office’s overall health, additional non-financial factors, such as new laws, rules, regulations, and non-funded mandates need to be considered.

The Government-wide financial statements present all of the Regional Office’s activities as governmental and business-type activities. Local, State and Federal monies finance most of these activities.

The fund financial statements provide detailed information about the Regional Office’s funds, focusing on its most significant or “major” funds. Funds are accounting devices that allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by State law. The Regional Office established other funds to control and manage money for particular purposes.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

The Regional Office has three kinds of funds:

1. Governmental funds account for all of the Regional Office's services. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Office's programs. The Regional Office's Governmental Funds include: the General Fund and the Special Revenue Funds.

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

2. Proprietary funds are used to report the same functions presented as business-type activities in the Government-wide financial statements, only in more detail.

The proprietary funds' required 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.

3. Fiduciary funds are used to account for assets held by the Regional Office in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The fiduciary funds' required financial statements include a Statement of Fiduciary Net Position.

A summary reconciliation between the Government-wide financial statements and the fund financial statements follows the fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one indicator of the financial condition of the Regional Office. The net position at the end of FY13 totaled \$399,161. At the end of FY12, the net position totaled \$693,267. The analysis that follows provides a summary of the Office's net position on June 30, 2013 and 2012.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Government-Wide Financial Analysis (Concluded)

**CONDENSED STATEMENT OF NET POSITION
June 30, 2013 and 2012**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current Assets	\$ 517,865	\$ 709,365	\$ (23,116)	\$ (13,872)	\$ 494,749	\$ 695,493
Capital Assets, Net	710,151	734,439	-	-	710,151	734,439
Total Assets	1,228,016	1,443,804	(23,116)	(13,872)	1,204,900	1,429,932
Liabilities						
Current Liabilities	384,866	281,955	5,501	839	390,367	282,794
Noncurrent Liabilities	415,372	453,871	-	-	415,372	453,871
Total Liabilities	800,238	735,826	5,501	839	805,739	736,665
Net Position						
Invested in Capital Assets, Net of Related Debt	302,547	292,839	-	-	302,547	292,839
Unrestricted	125,231	415,139	(28,617)	(14,711)	96,614	400,428
Total Net Position	\$ 427,778	\$ 707,978	\$ (28,617)	\$ (14,711)	\$ 399,161	\$ 693,267

The Regional Office's net position decreased \$294,106 from FY12 to FY13. Governmental activities net position decreased by \$280,200. Business-type activities net position decreased by \$13,906.

The following chart shows the changes in net position for the years ended June 30, 2013 and 2012.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

**CHANGES IN NET POSITION
For the years ended June 30, 2013 and 2012**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues:						
Operating Grants & Contributions	\$ 1,077,722	\$ 1,184,530	\$ -	\$ -	\$ 1,077,722	\$ 1,184,530
Charges for Services	-	-	88,552	108,347	88,552	108,347
General Revenues:						
Local Sources	662,895	555,791	-	-	662,895	555,791
On-Behalf Payments - State	472,424	396,146	-	-	472,424	396,146
Loss on Disposal of Assets	(173)	(828)	-	-	(173)	(828)
Investment Earnings	611	783	-	-	611	783
Total Revenues	2,213,479	2,136,422	88,552	108,347	2,302,031	2,244,769
Expenses:						
Programs Expenses:						
Salaries and Benefits	1,260,149	1,155,828	30,910	2,019	1,291,059	1,157,847
Purchased Services	510,993	451,390	93,700	102,788	604,693	554,178
Supplies and Materials	157,017	74,076	3,086	1,798	160,103	75,874
Payments to Other Governments	13,000	72	-	-	13,000	72
Depreciation	31,761	35,747	-	-	31,761	35,747
Interest on Long-Term Debt	23,097	26,242	-	-	23,097	26,242
On-Behalf Payments - State	472,424	396,146	-	-	472,424	396,146
Total Expenses	2,468,441	2,139,501	127,696	106,605	2,596,137	2,246,106
Income (loss) before transfers	(254,962)	(3,079)	(39,144)	1,742	(294,106)	(1,337)
Transfers	(25,238)	-	25,238	-	-	-
Change in Net Position	(280,200)	(3,079)	(13,906)	1,742	(294,106)	(1,337)
Net Position, Beginning of Year	707,978	711,057	(14,711)	(16,453)	693,267	694,604
Net Position, End Of Year	\$ 427,778	\$ 707,978	\$ (28,617)	\$ (14,711)	\$ 399,161	\$ 693,267

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Financial Analysis of the Regional Office of Education #25 Funds

As previously noted, the Regional Office uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Regional Office's Governmental Funds reported combined fund balances of \$126,963 in FY13 and \$325,553 in FY12. The primary reason for the decrease in combined fund balances in FY13 was due to the decrease in General State Aid funding for the Alternative School Program. The Regional Office continues to reduce staff and cut salaries and benefits while still trying to provide necessary services to the school districts and the public.

Governmental Fund Highlights

Revenues for governmental activities were \$2,213,479 and expenditures were \$2,468,441 in FY13. The Regional Office experienced a slight increase in revenues and a larger increase in expenditures. A sharp increase in supplies and materials was experienced as Jefferson County was included in the Cooperative Purchasing of paper. This increase is also attributed to test booklets and computers which were purchased for the GED program and more computer training opportunities that included the purchase of I-pads. The increase in purchased services can mainly be attributed to the IVPA Director becoming a contractual employee of the grant rather than an employee of the ROE. Another cause for an increase in purchased services is the increase in funds for university classes offered through Eastern Illinois University. Decreases in grant funds and a larger portion of state funding used for purchased services also attributed to this increase. On-behalf revenues and expenditures both increased in FY13. Education Fund revenues and expenditures both experienced slight increases in FY13 even though Federal Funding was down during the year.

Proprietary Fund Highlights

Revenues for proprietary activities were \$88,552 and expenses were \$127,696. Expenses saw a major increase as salary costs were appropriately shifted to proprietary funds from governmental funds. A decrease in attendance at the Mt. Vernon Conference contributed to less revenue in proprietary funds.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Budgetary Highlights

The Regional Office annually adopts budgets for certain grants, which are submitted to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board. Over the course of the year, the Regional Office amended several of its grant budgets to reflect adjustments in revenue and expenditures associated with changes in funding from the federal and state sources or for additional services needed and provided to the local school districts. A schedule showing the original and final grant budget amounts compared to the Regional Office's actual financial activity is included in the supplementary information section of this report.

Capital Assets

Capital Assets of the Regional Office #25 include buildings, automobiles, office equipment, computers, audio-visual equipment and office furniture. More details concerning capital assets are available in Note 5 in the financial statements. There was a \$14,528 disposal of capital assets during the year, as several computers and other equipment were fully depreciated and office furniture, pre-K equipment and other small office items were sold because of the reduction in staff and programs. The Regional Office maintains an inventory of capital assets that has accumulated over time. In addition, the Regional Office maintains a depreciation schedule that reflects the level of net Governmental and Business type capital assets.

Long-Term Debt

As of June 30, 2013 the Regional Office of Education No. 25 owed \$407,604 on the refinanced loan of \$467,852 for the administrative buildings, the alternative school buildings and the former Pre-K building. Monthly payments of \$3,273 (\$39,276 yearly) create a financial hardship on the Regional Office of Education No. 25 and its current funding. In response, all properties of the Regional Office of Education No. 25 have been placed on the market to sell and depending on what facilities can be sold, adjustment will then be made to program locations to continue providing the current services to our schools and the community.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Economic Factors and Next Year's Budget

At the time these financial statements were prepared, the Regional Office has been adjusting program budgets because of several circumstances that are affecting its financial health.

- The State of Illinois Foundation level used in the calculation of General State Aid remains at \$6,119, however, only 88.7% of entitled funds will be paid out during FY14. This will cause a \$33,354 decrease in General State Aid funds.
- Average daily attendance (ADA) is down in the alternative school program, and will result in a decrease of \$157,423 for the FY14 program.
- FY14 funding for Truants Alternative Optional Education will be reduced by \$3,267.
- FY14 funding for Regional Safe Schools will be reduced by \$1,604.
- Continued delay in grant funding payments is anticipated. This delay causes a significant financial hardship for the ROE and the need to use a Line of Credit to pay bills.
- Staff reductions in different programs have been made to reduce overall expenses, and most staff will receive at least a 5% reduction in salary.
- Interest payments made on previous administrative loans are also creating a financial hardship on the ROE budget, so attempts have been established to sell current property and reduce costs.

Subsequent Events

On June 25, 2012, Public Act 97-0703 (and amended by Public Act 98-0594 on November 15, 2013) was signed into law to reduce the total number of Regional Offices of Education to thirty-five. Action taken on November 22, 2013 by the Illinois State Board of Education, which recognized county board resolutions prior to June 30, 2013, will cause the Regional Office of Education No. 25 to disband and Hamilton County to consolidate with Regional Office of Education No. 20 and Jefferson County to consolidate with Regional Office of Education No. 13 as of July 1, 2015. Under the direction of the Illinois State Board of Education, the Regional Superintendent will make the necessary financial plans needed to make the transition into these newly consolidated regions.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the Regional Offices, citizens, taxpayers, clients and other constituents with a general overview of its finances and to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the Hamilton-Jefferson Counties Regional Office of Education #25, 1714 Broadway, Mt. Vernon, IL 62864.

BASIC FINANCIAL STATEMENTS

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 309,554	\$ 11,548	\$ 321,102
Accounts receivable	10,675	1,545	12,220
Due from other governments	159,977	1,450	161,427
Internal balances	37,659	(37,659)	-
Total current assets	517,865	(23,116)	494,749
Noncurrent assets:			
Capital assets, net	710,151	-	710,151
Total assets	1,228,016	(23,116)	1,204,900
LIABILITIES			
Current liabilities:			
Accounts payable	89,642	5,501	95,143
Accrued salaries and benefits	177,090	-	177,090
Due to other governments	76,663	-	76,663
Deferred revenue	24,690	-	24,690
Current portion of long-term debt	16,781	-	16,781
Total current liabilities	384,866	5,501	390,367
Noncurrent liabilities			
Long-term debt, net of current portion	390,823	-	390,823
Net pension obligation payable	24,549	-	24,549
Total noncurrent liabilities	415,372	-	415,372
Total liabilities	800,238	5,501	805,739
NET POSITION			
Net investment in capital assets	302,547	-	302,547
Unrestricted	125,231	(28,617)	96,614
Total net position	\$ 427,778	\$ (28,617)	\$ 399,161

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**STATEMENT OF ACTIVITIES
For the year ended June 30, 2013**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Governmental activities:						
Instructional services:						
Salaries and benefits	\$ 1,260,149	\$ -	\$ 866,262	\$ (393,887)	\$ -	\$ (393,887)
Purchased services	510,993	-	161,308	(349,685)	-	(349,685)
Supplies and materials	157,017	-	32,721	(124,296)	-	(124,296)
Capital outlay	-	-	7,896	7,896	-	7,896
Payments to other governments	13,000	-	9,535	(3,465)	-	(3,465)
Depreciation	31,761	-	-	(31,761)	-	(31,761)
Debt service:						
Interest on long-term debt	23,097	-	-	(23,097)	-	(23,097)
Administrative:						
On-behalf payments - State	472,424	-	-	(472,424)	-	(472,424)
Total governmental activities	<u>2,468,441</u>	<u>-</u>	<u>1,077,722</u>	<u>(1,390,719)</u>	<u>-</u>	<u>(1,390,719)</u>
Business-type activities:						
Other	<u>127,696</u>	<u>88,552</u>	<u>-</u>	<u>-</u>	<u>(39,144)</u>	<u>(39,144)</u>
Total business-type activities	<u>127,696</u>	<u>88,552</u>	<u>-</u>	<u>-</u>	<u>(39,144)</u>	<u>(39,144)</u>
Total primary government	<u>\$ 2,596,137</u>	<u>\$ 88,552</u>	<u>\$ 1,077,722</u>	<u>(1,390,719)</u>	<u>(39,144)</u>	<u>(1,429,863)</u>
General revenues:						
Local sources				662,895	-	662,895
On-behalf payments - State				472,424	-	472,424
Investment earnings				611	-	611
Loss on sale of capital assets				(173)	-	(173)
Transfers				<u>(25,238)</u>	<u>25,238</u>	<u>-</u>
Total general revenues and transfers				<u>1,110,519</u>	<u>25,238</u>	<u>1,135,757</u>
Change in net position				<u>(280,200)</u>	<u>(13,906)</u>	<u>(294,106)</u>
Net position - beginning				<u>707,978</u>	<u>(14,711)</u>	<u>693,267</u>
Net position - ending				<u>\$ 427,778</u>	<u>\$ (28,617)</u>	<u>\$ 399,161</u>

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	General Fund	Education Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 136,629	\$ 50,426	\$ 20,488	\$ 207,543
Accounts receivable	10,450	140	-	10,590
Due from other funds	287,703	-	-	287,703
Due from other governments	114,691	41,086	-	155,777
Total assets	\$ 549,473	\$ 91,652	\$ 20,488	\$ 661,613
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 87,631	\$ 553	\$ 536	\$ 88,720
Accrued salaries and benefits	128,648	47,116	-	175,764
Due to other funds	-	99,160	9,999	109,159
Due to other governments	76,663	-	-	76,663
Deferred revenue	55,346	28,998	-	84,344
Total liabilities	348,288	175,827	10,535	534,650
FUND BALANCES				
Restricted	-	7,323	11,016	18,339
Assigned	19,200	-	-	19,200
Unassigned	181,985	(91,498)	(1,063)	89,424
Total fund balances (deficits)	201,185	(84,175)	9,953	126,963
Total liabilities and fund balances	\$ 549,473	\$ 91,652	\$ 20,488	\$ 661,613

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

Total fund balances - governmental funds	\$	126,963
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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's fiscal year ends; they are not considered "available" revenues and are deferred in the governmental funds.		59,654
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, net	\$ 710,151	
Less internal service fund net assets included in internal service fund net position below	<u>(677,460)</u>	32,691

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position.

Internal service fund net position is:		<u>208,470</u>
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Net position of governmental activities	\$	<u><u>427,778</u></u>
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The notes to the financial statements are an integral part of this statement.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ending June 30, 2013**

	General Fund	Education Fund	Other Nonmajor Funds	Total Governmental Funds
Revenues:				
Local sources	\$ 545,441	\$ 115,527	\$ 23,551	\$ 684,519
State sources	497,957	488,333	688	986,978
Federal sources	-	100,459	-	100,459
On-behalf payments	472,424	-	-	472,424
Interest	601	-	10	611
Total revenues	1,516,423	704,319	24,249	2,244,991
Expenditures:				
Instructional services:				
Salaries and benefits	664,554	582,612	10,145	1,257,311
Purchased services	358,067	131,687	21,191	510,945
Supplies and materials	120,759	29,015	7,243	157,017
Payments to other governments	13,000	-	-	13,000
On-behalf payments	472,424	-	-	472,424
Capital outlay	7,896	-	-	7,896
Total expenditures	1,636,700	743,314	38,579	2,418,593
Deficiency of revenues under expenditures	(120,277)	(38,995)	(14,330)	(173,602)
Other financing sources (uses):				
Transfers in	3,000	-	2,771	5,771
Transfers out	(28,009)	-	(3,000)	(31,009)
Proceeds from sale of capital assets	-	250	-	250
Total other financing sources (uses)	(25,009)	250	(229)	(24,988)
Net change in fund balances	(145,286)	(38,745)	(14,559)	(198,590)
Fund balances (deficits), beginning of year	346,471	(45,430)	24,512	325,553
Fund balances (deficits), end of year	<u>\$ 201,185</u>	<u>\$ (84,175)</u>	<u>\$ 9,953</u>	<u>\$ 126,963</u>

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**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 - governmental funds \$ (198,590)

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

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

Current fiscal 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.	\$ 59,654	
Prior year "deferred" revenue that is recorded as revenue in the fund statements in the current fiscal year.	<u>(90,995)</u>	(31,341)

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	\$ 7,896	
Depreciation expense	<u>(6,328)</u>	1,568

Governmental funds report proceeds from the sale of capital assets as other financing sources. However, in the Statement of Activities, the proceeds are netted with the cost and accumulated depreciation of the assets sold and reported as a gain or loss on the sale of capital assets.

Loss on sale of capital assets	\$ (173)	
Proceeds from sale of capital assets	<u>(250)</u>	(423)

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.		<u>(51,414)</u>
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Change in net position - governmental activities \$ (280,200)

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	Business-Type Activities	Governmental Activities
	Enterprise Funds	Internal Activities
	Other Enterprise Funds	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,548	\$ 102,011
Accounts receivable	1,545	85
Due from other governments	1,450	4,200
Total current assets	14,543	106,296
Noncurrent assets:		
Capital assets, net	-	677,460
Total assets	14,543	783,756
LIABILITIES		
Current liabilities:		
Accounts payable	5,501	922
Accrued salaries and benefits	-	1,326
Due to other funds	37,659	140,885
Current portion of long-term debt	-	16,781
Total current liabilities	43,160	159,914
Noncurrent liabilities:		
Net pension obligation payable	-	24,549
Long-term debt, net of current portion	-	390,823
Total noncurrent liabilities	-	415,372
Total liabilities	43,160	575,286
NET POSITION		
Net investment in capital assets	-	268,898
Unrestricted	(28,617)	(60,428)
Total net position	\$ (28,617)	\$ 208,470

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Funds
	Other Enterprise Funds	
Operating revenues:		
Charges for services	\$ 88,552	\$ 238,908
Operating expenses:		
Salaries and benefits	30,910	16,571
Purchased services	93,700	224,511
Supplies and materials	3,086	710
Depreciation	-	25,433
Total operating expenses	127,696	267,225
Operating loss	(39,144)	(28,317)
Nonoperating expenses:		
Interest expense	-	(23,097)
Loss before transfers	(39,144)	(51,414)
Transfers in	25,238	-
Change in net position	(13,906)	(51,414)
Net position, beginning of year	(14,711)	259,884
Net position, end of year	\$ (28,617)	\$ 208,470

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	Business-Type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
	Other Enterprise Funds	
Cash flows from operating activities:		
Collection of fees	\$ 90,009	\$ 236,723
Payments to suppliers and providers of goods and services	(92,124)	(225,958)
Payments to employees	(30,910)	(16,396)
	(33,025)	(5,631)
Cash flows from noncapital financing activities:		
Receipts from interfund borrowings, net	10,145	75,015
Transfers in	25,238	-
	35,383	75,015
Cash flows from capital and related financing activities:		
Principal paid on capital debt	-	(33,996)
Interest paid on capital debt	-	(23,097)
	-	(57,093)
Net increase in cash and cash equivalents	2,358	12,291
Cash and cash equivalents - beginning	9,190	89,720
Cash and cash equivalents - ending	\$ 11,548	\$ 102,011

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Funds
	Other Enterprise Funds	
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (39,144)	\$ (28,317)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	-	25,433
(Increase) decrease in assets:		
Accounts receivable	(1,545)	(85)
Due from other governments	3,002	(2,100)
Increase (decrease) in liabilities:		
Accounts payable	4,662	(737)
Accrued salaries and benefits	-	1,326
Net pension obligation payable	-	(1,151)
	\$ (33,025)	\$ (5,631)
Net cash used by operating activities	\$ (33,025)	\$ (5,631)

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 10,205
Accounts receivable	500
Due from other governments	<u>18,352</u>
Total assets	<u><u>\$ 29,057</u></u>
LIABILITIES	
Due to other governments	<u>\$ 29,057</u>
Total liabilities	<u><u>\$ 29,057</u></u>

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

NOTES TO FINANCIAL STATEMENTS

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Regional Office of Education No. 25'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. 25 was created by Illinois Public Act 76-735, as amended, effective August 8, 1995. The region encompasses Hamilton and Jefferson 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. 25 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. 25 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the Regional Office of Education No. 25's geographic responsibility, including joint agreements which serve pupils from numerous school districts, should be included within its financial entity. The criteria include but are not limited to, whether the Regional Office of Education No. 25 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The Hamilton-Jefferson Educational Services Cooperative, which began operations on November 23, 1992, has been determined to be a blended component unit of the Regional Office of Education No. 25 for financial reporting purposes after applying the criteria of oversight, scope of public services, and special financing relationships and is therefore blended in the accompanying financial statements. The cooperative was formed by an intergovernmental agreement between the Regional Office of Education No. 25 and all schools, both public and nonpublic, in Hamilton and Jefferson counties. The cooperative is governed by a board of 8 voting members who are district superintendents in the Region and the Regional Superintendent, who is a non-voting member.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The cooperative exists to provide quality programs and services to students through the school districts of Hamilton and Jefferson counties or the Regional Superintendent. The Regional Superintendent of Schools of Hamilton and Jefferson counties serves as administrative agent. Separate financial statements are not issued for this blended component unit.

No other agencies have met the component unit criteria to be included in the Regional Office of Education No. 25's financial statements. In addition, the Regional Office of Education No. 25 is not aware of any entity that would exercise such oversight as to result in the Regional Office of Education No. 25 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 non-fiduciary activities of the primary government. As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. An exception to this general rule relates to interfund services provided by the internal service funds. Elimination of these charges would distort the direct costs reported for the various functions concerned. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position includes all of the Regional Office of Education No. 25'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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Certain eliminations have been made as prescribed by governmental accounting standards in regards to interfund activity, such as, payables, receivables and transfers. Interfund activity 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 Balance 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 each major proprietary fund and nonmajor funds aggregated.

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.

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. 25 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.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. Revenue 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. 25's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service 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. 25's policy to first apply restricted resources when an expenditure or expense is incurred for which 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. 25 reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Regional Office of Education No. 25 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. Included in this fund are:

University College Classes - 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 Masters Degree in Guidance and Counseling and a Masters or Specialist Degree in School Administration from EIU and a Masters in Curriculum and Instruction from SIUC.

State Aid - This program accounts for aid provided by the state based on the students that attend the Alternative School and Safe School programs.

Special Projects - This fund accounts for the purchases and daily operations for the Regional Office of Education No. 25.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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)

Office Operations - This fund accounts for the shared expenses incurred in the operation of the Regional Superintendent's office by Hamilton and Jefferson counties as well as the revenues and expenses related to the State Reorganization & Feasibility Study.

Parapro - This fund accounts for money paid to the Regional Office by teacher aides for administering and scoring paraprofessional exams.

Regional In-Service Meeting - This fund accounts for local registration fees and expenses associated with school improvement.

Computer Consortium - This fund accounts for money the Regional Office and school districts pool together to purchase software and hardware in bulk.

Southern Thirty - This is an educational program for the Southern Thirty Adolescent Center.

Hamilton-Jefferson Educational Services Cooperative - This fund accounts for the Regional Office of Education's operating accounts.

School Improvement - This fund accounts for a cooperative program that administers school improvement activities.

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 Technology - This program provides support and technical assistance to the Regional Office and the 18 school districts.

Illinois Violence Prevention Authority - This program is a fiscal agent for the 2nd Judicial Circuits Local Family Violence Coordinators Council and supports their efforts.

Early Childhood Block Grant (3705-70) - This program provides training for the parents of children ages 3 to kindergarten enrollment, assisting parents to become full partners in the education of their children.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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)

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.

Regional Safe Schools - This program provides educational options for students that have been chronically suspended or are eligible for expulsion.

Truants Alternative and Optional Education - This program provides services for students that are truant, chronic truant, dropouts, and potential dropouts and provides options to regular school attendance (Alternative Schools) and/or attendance worker intervention designed to improve student attendance at school and prevent students from dropping out of school.

Early Childhood Block Grant (3705-00) - This program serves children ages 3-5 (not age eligible for kindergarten) who are determined by a screening process to be at risk of academic failure. Focus is on the Illinois Early Learning Standards.

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

System of Support - This program is designed to provide assistance to those schools/school districts that do not meet Adequate Yearly Progress (AYP) as defined by the No Child Left Behind Act.

American Recovery and Reinvestment Act - Education Jobs Fund Program - This program provides assistance to save or create education jobs for the 2010-2011 school year.

Title II - Teacher Quality - This program provides support to Title I schools and districts that are in Years 1 and 2 of not making AYP. This support is intended to help them understand NCLB requirements and to assist them in the development and implementation of the school and district improvement plans. This program also accounts for the Title II Teacher Quality Grant and the Title II Teacher Quality Leadership Grant.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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)

Additionally, the Regional Office of Education No. 25 reports the following nonmajor governmental funds:

Special Revenue Funds - Special Revenue Funds are used to account 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:

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

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

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

2. Proprietary Funds

Enterprise 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. Included among these funds are:

The Regional Office of Education No. 25 reports the following nonmajor proprietary funds:

Mt. Vernon Conference - This fund accounts for the two-day statewide teacher's conference that provides exhibit booths and presentations on various curriculum and interest areas for participants representing all areas and grade levels.

Testing - This fund provides materials for and results from administering standardized achievement tests, cognitive skills tests, and local assessments to the schools within the region.

Finger Printing - This program is used to bill school districts semi-annually for the number of employees fingerprinted as well as a prorated amount for substitutes.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Proprietary Funds (Continued)

Internal Service Funds - Internal service funds are used to account for activities that provide goods or services to other funds on a cost-reimbursement basis.

The Regional Office of Education No. 25 reports the following internal service funds:

Health Insurance - This fund is utilized to account for the payment of health insurance premiums on behalf of all programs.

Workers' Compensation - This fund is utilized to account for the payment of workers' compensation premiums on behalf of all programs.

Unemployment - This fund is utilized to account for all State and federal unemployment payments on behalf of all programs.

Transportation Reimbursement - The use of vehicles by various funds is accounted for in this fund.

Building - The rent and maintenance on the buildings used by the Regional Office of Education No. 25 is accounted for in this fund.

3. Fiduciary Funds

Fiduciary Funds - Fiduciary funds are used to account for assets held by the Regional Office of Education No. 25 in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Regional Office of Education No. 25 reports the following fiduciary funds:

Rend Lake Regional Delivery System - This fund receives funds from the Illinois State Board of Education and forwards them to Rend Lake Regional Delivery System.

Clearing – This fund receives and pays fees for any petitions to annex in the district.

Regional Vocational Board – This fund supports facilitation, administration, and coordination for the Carl D. Perkins Vocational and Applied Technology Grant and the Career and Technical Education Improvement Grant.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Fund Balance

1. Deposits and Investments

The Regional Office of Education No. 25 considers cash on hand, checking accounts, savings accounts, and money market accounts to be cash and cash equivalents. State regulations require that Regional Office of Education No. 25 deposit funds under its control into accounts insured by the federal government, 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. 25 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.

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 \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at fair market 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>
Buildings and building improvements	30
Computer equipment	3-5
Office equipment and furniture	5-10
Other equipment	5-20
Vehicles	3-5

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Compensated Absences

Non-certified and certified employees who work 12 calendar months earn up to 10 vacation days and 2 personal days for a full year of service. Unused vacation days will not be carried over. Any unused personal days will be carried over as accumulated sick leave. 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.

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; therefore, no liability is accrued.

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 net position reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted net position – The net amount of 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.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Equity Classifications (Continued)

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: ROE/ISC Technology, Illinois Violence Prevention Authority, ROE/ISC Operations, and Truants Alternative and Optional Education. The following funds are restricted by Illinois Statute: Institute and Bus Driver Training.

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 with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The assigned fund balance is comprised of the University College Classes fund balance.

Unassigned Fund Balance – the portion of a Governmental Fund’s fund balance that is not designated of a specific purpose. The unassigned fund balance is comprised of the following: State Aid, Special Projects, Office Operations, Parapro, Regional In-Service Meeting, Southern Thirty, Hamilton-Jefferson Educational Services Cooperative, School Improvement, Early Childhood Block Grant (3705-70), Regional Safe Schools, Early Childhood Block Grant (3705-00), McKinney Education for Homeless Children, System of Support, and General Education Development.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. New Accounting Pronouncements

In 2013, the Regional Office of Education No. 25 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. 25 will now report *net position* instead of *net assets*. The Regional Office of Education No. 25 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. 25 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. Budgetary Comparison Schedules have been presented for the following grants: ROE/ISC Operations, Regional Safe Schools, Truants Alternative/Optional Education, Title II - Teacher Quality Leadership Grant (#13-4935-02), and Title II – Teacher Quality (#13-4932-00).

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.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2013, the carrying amount of the Regional Office of Education No. 25's governmental activities, business-type activities, and agency fund deposits were \$306,956, \$11,548, and \$10,205, respectively. The combined bank balances totaled \$380,213, 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. 25's name, and were, therefore, not exposed to custodial credit risk.

B. Investments

At June 30, 2013, the carrying amount of the Regional Office of Education No. 25's deposits in the Illinois Funds Money Market Fund for the governmental activities was \$2,598. The combined bank balance invested in the Illinois Funds Money Market Fund was \$2,598. These deposits are included in cash and cash equivalents in the Regional Office of Education No. 25's governmental activities.

The Illinois Funds Money Market Fund investments are fully collateralized and not subject to credit risk. This fund enables custodians of public funds an investment option with a competitive rate of return on fully collateralized investments and immediate access to the funds. Although not subject to direct regulatory oversight, the investment pool is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235. The investment policy of the Illinois Funds states that, unless authorized specifically by the Treasurer, a minimum of 75% of its investments shall have less than one-year maturity and no investment shall exceed two years maturity. The policy also limits investment categories to 25% of the portfolio, with the exception of cash equivalents and U.S. Treasury securities, unless specifically authorized by the Treasurer. Further, certificates of deposit cannot exceed 10% of any single financial institution's total deposits. The Illinois Funds received Standard & Poor's highest rating.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

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 not being depreciated:				
Land	\$ 91,500	\$ -	\$ -	\$ 91,500
Capital assets being depreciated:				
Buildings and building improvements	945,479	-	-	945,479
Vehicles	47,746	-	-	47,746
Office equipment and furniture	435	-	-	435
Computer equipment	51,918	-	(4,083)	47,835
Other equipment	143,090	7,896	(10,445)	140,541
Total capital assets being depreciated	<u>1,188,668</u>	<u>7,896</u>	<u>(14,528)</u>	<u>1,182,036</u>
Less accumulated depreciation for:				
Buildings and building improvements	(340,090)	(23,872)	-	(363,962)
Vehicles	(46,299)	-	-	(46,299)
Office equipment and furniture	(435)	-	-	(435)
Computer equipment	(48,625)	(1,481)	4,083	(46,023)
Other equipment	<u>(110,280)</u>	<u>(6,408)</u>	<u>10,022</u>	<u>(106,666)</u>
Total accumulated depreciation	<u>(545,729)</u>	<u>(31,761)</u>	<u>14,105</u>	<u>(563,385)</u>
Total capital assets being depreciated, net	<u>642,939</u>	<u>(23,865)</u>	<u>(423)</u>	<u>618,651</u>
Governmental activities capital assets, net	<u>\$ 734,439</u>	<u>\$ (23,865)</u>	<u>\$ (423)</u>	<u>\$ 710,151</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets being depreciated:				
Computer equipment	\$ 12,785	\$ -	\$ -	\$ 12,785
Less accumulated depreciation for:				
Computer equipment	<u>(12,785)</u>	<u>-</u>	<u>-</u>	<u>(12,785)</u>
Business-type activities capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to functions/programs of the Regional Office of Education No. 25 as follows:

Governmental activities:	
Instructional services	<u>\$ 31,761</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT

The Regional Office of Education No. 25 had the following loan at June 30, 2013:

Governmental activities:

Loan from Community First Bank of the Heartland dated October 7, 2011 in the amount of \$467,852 to finance the administrative building and the Alternative School building loan. It is payable in monthly installments of \$3,273 with a maturity date of October 7, 2031. The loan includes interest of 5.625% and is secured by the related real estate.

\$ 407,604

Debt service requirements to maturity for governmental activities are as follows:

Years ending June 30,	Principal	Interest	Total
2014	\$ 16,781	\$ 22,500	\$ 39,281
2015	17,750	21,532	39,282
2016	18,717	20,564	39,281
2017	19,855	19,427	39,282
2018	21,001	18,281	39,282
2019-2023	124,596	71,809	196,405
2024-2028	164,966	31,439	196,405
2029-2031	23,938	473	24,411
	<u>\$ 407,604</u>	<u>\$ 206,025</u>	<u>\$ 613,629</u>

7. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the Regional Office of Education for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Governmental activities:					
Notes payable	\$ 441,600	\$ -	\$ 33,996	\$ 407,604	\$ 16,781

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT FUND COMMITMENTS

A. Teachers' Retirement System of the State of Illinois

The Regional Office of Education No. 25 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 funding the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration.

TRS members include all active 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. 25'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. 25. 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. 25 recognized revenue and expenditures of \$218,440 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 (\$177,800) and 23.10 percent (\$238,332), respectively.

The Regional Office of Education No. 25 makes other types of employer contributions directly to TRS.

2.2 Formula Contributions - Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2013 were \$3,882. Contributions for the years ending June 30, 2012 and June 30, 2011, were \$3,554 and \$5,537, respectively.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT FUND COMMITMENTS (Continued)

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

Federal and Special Trust Fund Contributions - When TRS members are paid from federal and special trust funds administered by the Regional Office of Education No. 25, there is a statutory requirement for the Regional Office of Education No. 25 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 \$75,055 were paid from federal and special trust funds that required employer contributions of \$21,053. For the years ended June 30, 2012 and June 30, 2011, required employer contributions were \$21,535 and \$24,536, respectively.

Early Retirement Option - The Regional Office of Education No. 25 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. 25 made no payments to TRS for employer contributions under the ERO program.

Salary Increases Over 6 Percent and Excess Sick Leave - If the Regional Office of Education No. 25 grants salary increases over 6 percent and those salaries are used to calculate a retiree's final average salary, the Regional Office of Education No. 25 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. 25 made no payments to TRS for employer contributions due on salary increases in excess of 6 percent.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT FUND COMMITMENTS (Continued)

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

If the Regional Office of Education No. 25 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. 25 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 Regional Office of Education No. 25 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. 25 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. 25'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. 25'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. 25'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 13.41 percent. The Regional Office of Education No. 25 also contributes for disability benefits, death benefits and supplemental retirement benefits, all 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.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT FUND COMMITMENTS (Continued)

B. Illinois Municipal Retirement Fund (Continued)

Annual Pension Cost – The required contribution for the fiscal year ended June 30, 2013 was \$68,715.

Three-Year Trend Information for Regular Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2013	\$ 67,564	102%	\$ 24,549
6/30/2012	45,655	103%	25,700
6/30/2011	80,796	84%	26,904

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 to 10.0 percent per year depending on age and service, attributable to seniority/merit, and (d) postretirement benefit increases of 3.0 percent annually. The actuarial value of the Regional Office of Education No. 25'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. 25 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 70.59 percent funded. The actuarial accrued liability for benefits was \$1,277,759 and the actuarial value of assets was \$901,968, resulting in an underfunded actuarial accrued liability (UAAL) of \$375,791. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$389,190, and the ratio of UAAL to the covered payroll was 97 percent.

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT FUND COMMITMENTS (Continued)

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.

9. OTHER POSTEMPLOYMENT BENEFITS

A. Teacher Health Insurance Security Fund

The Regional Office of Education No. 25 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment 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 it 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. 25. State contributions are intended to match contributions to the THIS Fund from active members which were 0.92 percent of pay during the year ended June 30, 2013. State of Illinois contributions were \$6,158, and the Regional Office of Education No. 25 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 Education No. 25 employees were \$5,465 and \$8,402, respectively.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

9. OTHER POSTEMPLOYMENT BENEFITS

A. Teacher Health Insurance Security Fund (Continued)

Employer contributions to THIS Fund - The Regional Office of Education No. 25 also makes contributions to THIS Fund. The employer 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. 25 paid \$4,618 to the THIS Fund. For the years ended June 30, 2012 and June 30, 2011, the Regional Office of Education No. 25 paid \$4,098 and \$6,301 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.”

B. Other Postemployment Benefits

The Regional Office of Education No. 25 allows employees, who retire through the Regional Office of Education No. 25’s plan disclosed in Note 8B, the option to continue in the Regional Office of Education No. 25’s health insurance plan as required by the Illinois Compiled Statutes, but the retiree pays the full premium for the health insurance. This has not created an implicit subsidy as defined by GASB Statement No. 45 (GASB S-45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as the Regional Office of Education No. 25’s health insurance plan is considered a community rated plan. In addition, the Regional Office of Education No. 25 has no explicit subsidy as defined in GASB S-45.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

10. 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
General Fund:	Education Funds:	
Southern Thirty	Illinois Violence Prevention Authority	\$ 372
Southern Thirty	Early Childhood Block Grant (3705-70)	48
Southern Thirty	ROE/ISC Operations	2,199
Southern Thirty	Regional Safe Schools	1,381
Southern Thirty	Truants Alternative and Optional Education	4,563
Southern Thirty	Early Childhood Block Grant (3705-00)	306
Southern Thirty	McKinney Education for Homeless Children	246
Southern Thirty	System of Support	87,254
Southern Thirty	Title II - Teacher Quality	2,791
		99,160
General Fund:	Nonmajor Special Revenue Funds:	
Office Operations	General Education Development	9,999
General Fund:	Nonmajor Proprietary Funds:	
Office Operations	Mt. Vernon Conference	20,952
Office Operations	Testing	16,707
		37,659
General Fund:	Internal Service Funds:	
Office Operations	Unemployment	29,288
Office Operations	Transportation Reimbursement	49,996
Office Operations	Building	61,601
		140,885
		\$ 287,703

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

11. BOND

The Illinois School Code (105 ILCS 5/3-2) directs the Regional Office of Education No. 25 to execute a bond of not less than \$100,000 for the Regional Superintendent. The Regional Office of Education No. 25 has secured and maintained such a bond with coverage of \$200,000 on the Regional Superintendent.

12. ON-BEHALF PAYMENTS

The Regional Office of Education No. 25 received on-behalf payments for employee salaries and benefits from the following entities for the following items:

State of Illinois:	
Regional Superintendent - salary	\$ 97,080
Regional Superintendent - benefits (includes State paid insurance)	34,360
Assistant Regional Superintendent - salary	87,384
Assistant Regional Superintendent - benefits (includes State paid insurance)	29,002
TRS pension contributions	218,440
THIS contributions	6,158
	<hr/>
	\$ 472,424
	<hr/> <hr/>

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.

13. RISK MANAGEMENT - CLAIMS AND JUDGEMENTS

The Regional Office of Education No. 25 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. 25 is covered by commercial insurance to cover these risks of loss. No settlements have exceeded insurance coverage in the current or three previous years.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

14. OPERATING LEASE

The Regional Office of Education No. 25 had entered into an annual operating lease through June 30, 2013 for its Alternative Education program. Rent expense for the year ended June 30, 2013 totaled \$48,100. The Regional Office of Education also leases vehicles for student transportation. Lease expenses totaled \$4,000.

15. DUE TO/FROM OTHER GOVERNMENTS

At June 30, 2013, the Regional Office of Education No. 25's General Fund, Education Fund, Internal Service Funds, Agency Funds, Nonmajor Enterprise Funds, and various grant programs had funds due to and from various governmental units which consisted of the following:

Due From Other Governments:

General Fund:

Local Governments	\$ 95,257
Illinois State Board of Education	18,792
Regional Office of Education #45	642
	114,691

Education Fund:

Illinois State Board of Education	11,213
Regional Office of Education #2	3,632
Regional Office of Education #31	1,203
Illinois Comptroller	25,038
	41,086

Internal Service Funds:

Local Governments	4,200
	\$ 159,977

Nonmajor Proprietary Funds:

Local Governments	\$ 1,450

Agency Funds:

Local Governments	\$ 18,352

Due To Other Governments:

General Fund:

Eastern Illinois University	\$ 76,663

Agency Funds:

Local Governments	\$ 29,057

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

16. CONTINGENCIES

The Regional Office of Education No. 25 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. 25 believes any adjustments that may arise will be insignificant to the Regional Office of Education No. 25's operations.

17. SCHEDULE OF TRANSFERS

During the year ended June 30, 2013, the Regional Office of Education reported the following transfers:

Transfer From Other Funds (Transfers In)	Transfer To Other Funds (Transfers Out)
General Fund: School Improvement \$ 3,000	Nonmajor Special Revenue Funds: Institute \$ 3,000
Nonmajor Special Revenue Funds: General Education Development 2,771	General Fund: State Aid 2,771
Nonmajor Proprietary Funds: Finger Printing 10,512 Mt. Vernon Conference 4,726 Mt. Vernon Conference 10,000	General Fund: State Aid 10,512 State Aid 4,726 Office Operations 10,000
25,238	25,238
\$ 31,009	\$ 31,009

The transfer from the Institute Fund to the School Improvement Fund was to transfer credit card payments received in the Institute Fund bank account that were used for meetings paid by the School Improvement Fund. The remaining transfers were made to cover cash shortfalls in the funds.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

18. DEFICIT FUND BALANCES/NET POSITION

The following individual funds carried the following deficit balances as of June 30, 2013:

State Aid	\$ 161,211
Special Projects	23,805
Regional In-Service Meeting	5,091
Early Childhood Block Grant (3705-70)	38
Regional Safe Schools	1,584
Early Childhood Block Grant (3705-00)	6,008
McKinney Education for Homeless Children	246
System of Support	83,622
General Education Development	1,063
Mt. Vernon Conference	18,203
Testing	21,452
Unemployment	29,288
Transportation Reimbursement	49,839

The Regional Office of Education No. 25 intends to reduce these deficits by reducing expenditures/expenses in future periods and by collecting revenues not considered “available” at June 30, 2013.

19. 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, the Regional Office of Education No. 25 will disband and Hamilton County will consolidate with Regional Office of Education No. 20. Jefferson County will consolidate with Regional Office of Education No. 13.

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**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)
12/31/12	\$ 901,968	\$ 1,277,759	\$ 375,791	70.59%	\$ 389,190	96.56%
12/31/11	810,899	1,208,411	397,512	67.10%	453,960	87.57%
12/31/10	1,287,010	1,519,730	232,720	84.69%	488,714	47.62%

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$944,166. On a market basis, the funded ratio would be 73.89%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with the Hamilton and Jefferson Counties Regional Office of Education No. 25. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

SUPPLEMENTAL INFORMATION

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	University College Classes	State Aid	Special Projects	Office Operations
ASSETS				
Cash and cash equivalents	\$ 79,078	\$ -	\$ 6,617	\$ 65
Accounts receivable	10,281	169	-	-
Due from other funds	12,326	-	-	227,825
Due from other governments	-	-	-	26,506
	<u>101,685</u>	<u>169</u>	<u>6,617</u>	<u>254,396</u>
Total assets	<u>\$ 101,685</u>	<u>\$ 169</u>	<u>\$ 6,617</u>	<u>\$ 254,396</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 780	\$ -	\$ 19,704
Accrued salaries and benefits	-	116,704	-	-
Due to other funds	-	43,896	30,422	-
Due to other governments	76,663	-	-	-
Deferred revenue	5,822	-	-	-
	<u>82,485</u>	<u>161,380</u>	<u>30,422</u>	<u>19,704</u>
Total liabilities	<u>82,485</u>	<u>161,380</u>	<u>30,422</u>	<u>19,704</u>
FUND BALANCES				
Assigned	19,200	-	-	-
Unassigned	-	(161,211)	(23,805)	234,692
	<u>19,200</u>	<u>(161,211)</u>	<u>(23,805)</u>	<u>234,692</u>
Total fund balances (deficits)	<u>19,200</u>	<u>(161,211)</u>	<u>(23,805)</u>	<u>234,692</u>
Total liabilities and fund balances	<u>\$ 101,685</u>	<u>\$ 169</u>	<u>\$ 6,617</u>	<u>\$ 254,396</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	<u>Parapro</u>	<u>Regional In-Service Meeting</u>	<u>Computer Consortium</u>	<u>Southern Thirty</u>
ASSETS				
Cash and cash equivalents	\$ 380	\$ -	\$ -	\$ 11,342
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	99,160
Due from other governments	-	-	-	49,524
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,026</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 180	\$ -	\$ -	\$ 215
Accrued salaries and benefits	-	-	-	11,944
Due to other funds	-	5,091	-	-
Due to other governments	-	-	-	-
Deferred revenue	-	-	-	49,524
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>180</u>	<u>5,091</u>	<u>-</u>	<u>61,683</u>
FUND BALANCES				
Assigned	-	-	-	-
Unassigned	200	(5,091)	-	98,343
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficits)	<u>200</u>	<u>(5,091)</u>	<u>-</u>	<u>98,343</u>
	<u>\$ 380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,026</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	Hamilton- Jefferson Educational Services Cooperative	School Improvement	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 32,324	\$ 6,823	\$ -	\$ 136,629
Accounts receivable	-	-	-	10,450
Due from other funds	36,968	-	(88,576)	287,703
Due from other governments	38,019	642	-	114,691
	<u>38,019</u>	<u>642</u>	<u>-</u>	<u>114,691</u>
Total assets	<u>\$ 107,311</u>	<u>\$ 7,465</u>	<u>\$ (88,576)</u>	<u>\$ 549,473</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 66,752	\$ -	\$ -	\$ 87,631
Accrued salaries and benefits	-	-	-	128,648
Due to other funds	9,167	-	(88,576)	-
Due to other governments	-	-	-	76,663
Deferred revenue	-	-	-	55,346
	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,346</u>
Total liabilities	<u>75,919</u>	<u>-</u>	<u>(88,576)</u>	<u>348,288</u>
FUND BALANCES				
Assigned	-	-	-	19,200
Unassigned	31,392	7,465	-	181,985
	<u>31,392</u>	<u>7,465</u>	<u>-</u>	<u>181,985</u>
Total fund balances (deficits)	<u>31,392</u>	<u>7,465</u>	<u>-</u>	<u>201,185</u>
Total liabilities and fund balances	<u>\$ 107,311</u>	<u>\$ 7,465</u>	<u>\$ (88,576)</u>	<u>\$ 549,473</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	University College Classes	State Aid	Special Projects	Office Operations
Revenues:				
Local sources	\$ 264,171	\$ 3,361	\$ 11,405	\$ 42,144
State sources	-	484,957	-	13,000
On-behalf payments	-	-	-	472,424
Interest	42	-	559	-
	<u>264,213</u>	<u>488,318</u>	<u>11,964</u>	<u>527,568</u>
Total revenues				
Expenditures:				
Salaries and benefits	-	534,883	-	53,466
Purchased services	253,659	40,762	8,491	43,215
Supplies and materials	-	5,995	1,446	2,360
Capital outlay	-	7,896	-	-
Payments to other governments	-	-	-	13,000
On-behalf payments	-	-	-	472,424
	<u>253,659</u>	<u>589,536</u>	<u>9,937</u>	<u>584,465</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>10,554</u>	<u>(101,218)</u>	<u>2,027</u>	<u>(56,897)</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	(18,009)	-	(10,000)
	<u>-</u>	<u>(18,009)</u>	<u>-</u>	<u>(10,000)</u>
Total other financing sources (uses)				
Net change in fund balances	10,554	(119,227)	2,027	(66,897)
Fund balances (deficits), beginning of year	<u>8,646</u>	<u>(41,984)</u>	<u>(25,832)</u>	<u>301,589</u>
Fund balances (deficits), end of year	<u>\$ 19,200</u>	<u>\$ (161,211)</u>	<u>\$ (23,805)</u>	<u>\$ 234,692</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	Parapro	Regional In-Service Meeting	Computer Consortium	Southern Thirty
Revenues:				
Local sources	\$ 1,095	\$ -	\$ -	\$ 139,350
State sources	-	-	-	-
On-behalf payments	-	-	-	-
Interest	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	1,095	-	-	139,350
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
Salaries and benefits	-	-	-	76,205
Purchased services	720	780	-	5,270
Supplies and materials	315	-	2,411	355
Capital outlay	-	-	-	-
Payments to other governments	-	-	-	-
On-behalf payments	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	1,035	780	2,411	81,830
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	60	(780)	(2,411)	57,520
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	60	(780)	(2,411)	57,520
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances (deficits), beginning of year	140	(4,311)	2,411	40,823
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances (deficits), end of year	\$ 200	\$ (5,091)	\$ -	\$ 98,343
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	Hamilton- Jefferson Educational Services Cooperative	School Improvement	Total
Revenues:			
Local sources	\$ 79,292	\$ 4,623	\$ 545,441
State sources	-	-	497,957
On-behalf payments	-	-	472,424
Interest	-	-	601
	<u>79,292</u>	<u>4,623</u>	<u>1,516,423</u>
Total revenues			
	<u>79,292</u>	<u>4,623</u>	<u>1,516,423</u>
Expenditures:			
Salaries and benefits	-	-	664,554
Purchased services	-	5,170	358,067
Supplies and materials	107,594	283	120,759
Capital outlay	-	-	7,896
Payments to other governments	-	-	13,000
On-behalf payments	-	-	472,424
	<u>107,594</u>	<u>5,453</u>	<u>1,636,700</u>
Total expenditures			
	<u>107,594</u>	<u>5,453</u>	<u>1,636,700</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(28,302)</u>	<u>(830)</u>	<u>(120,277)</u>
Other financing sources (uses):			
Transfers in	-	3,000	3,000
Transfers out	-	-	(28,009)
	<u>-</u>	<u>3,000</u>	<u>(25,009)</u>
Total other financing sources (uses)			
	<u>-</u>	<u>3,000</u>	<u>(25,009)</u>
Net change in fund balances	(28,302)	2,170	(145,286)
Fund balances (deficits), beginning of year	<u>59,694</u>	<u>5,295</u>	<u>346,471</u>
Fund balances (deficits), end of year	<u>\$ 31,392</u>	<u>\$ 7,465</u>	<u>\$ 201,185</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	ROE/ISC Technology	Illinois Violence Prevention Authority	Early Childhood Block Grant (3705-70)
ASSETS			
Cash and cash equivalents	\$ 1,694	\$ 1,249	\$ 10
Accounts receivable	100	-	-
Due from other governments	1,203	25,038	-
	<u>2,997</u>	<u>26,287</u>	<u>10</u>
Total assets	<u>\$ 2,997</u>	<u>\$ 26,287</u>	<u>\$ 10</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-
Due to other funds	-	372	48
Deferred revenue	-	24,690	-
	<u>-</u>	<u>25,062</u>	<u>48</u>
Total liabilities	<u>-</u>	<u>25,062</u>	<u>48</u>
FUND BALANCES			
Restricted	2,997	1,225	-
Unassigned	-	-	(38)
	<u>2,997</u>	<u>1,225</u>	<u>(38)</u>
Total fund balances (deficits)	<u>2,997</u>	<u>1,225</u>	<u>(38)</u>
Total liabilities and fund balances	<u>\$ 2,997</u>	<u>\$ 26,287</u>	<u>\$ 10</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	<u>ROE/ISC Operations</u>	<u>Regional Safe Schools</u>	<u>Truants Alternative and Optional Education</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 1,959	\$ 10,195
Accounts receivable	-	-	40
Due from other governments	2,200	1,762	4,400
	<u>2,200</u>	<u>1,762</u>	<u>4,400</u>
Total assets	<u>\$ 2,200</u>	<u>\$ 3,721</u>	<u>\$ 14,635</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 203	\$ 350
Accrued salaries and benefits	-	3,721	2,314
Due to other funds	2,199	1,381	4,563
Deferred revenue	-	-	4,308
	<u>2,199</u>	<u>5,305</u>	<u>11,535</u>
Total liabilities	<u>2,199</u>	<u>5,305</u>	<u>11,535</u>
FUND BALANCES			
Restricted	1	-	3,100
Unassigned	-	(1,584)	-
	<u>1</u>	<u>(1,584)</u>	<u>3,100</u>
Total fund balances (deficits)	<u>1</u>	<u>(1,584)</u>	<u>3,100</u>
Total liabilities and fund balances	<u>\$ 2,200</u>	<u>\$ 3,721</u>	<u>\$ 14,635</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	<u>Early Childhood Block Grant (3705-00)</u>	<u>McKinney Education for Homeless Children</u>	<u>System of Support</u>
ASSETS			
Cash and cash equivalents	35,319	\$ -	\$ -
Accounts receivable	-	-	-
Due from other governments	60	-	3,632
	<u>60</u>	<u>-</u>	<u>3,632</u>
Total assets	<u>\$ 35,379</u>	<u>\$ -</u>	<u>\$ 3,632</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued salaries and benefits	41,081	-	-
Due to other funds	306	246	87,254
Deferred revenue	-	-	-
	<u>41,387</u>	<u>246</u>	<u>87,254</u>
Total liabilities	<u>41,387</u>	<u>246</u>	<u>87,254</u>
FUND BALANCES			
Restricted	-	-	-
Unassigned	(6,008)	(246)	(83,622)
	<u>(6,008)</u>	<u>(246)</u>	<u>(83,622)</u>
Total fund balances (deficits)	<u>(6,008)</u>	<u>(246)</u>	<u>(83,622)</u>
Total liabilities and fund balances	<u>\$ 35,379</u>	<u>\$ -</u>	<u>\$ 3,632</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	ARRA - Education Jobs Fund Program	Title II - Teacher Quality	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 50,426
Accounts receivable	-	-	140
Due from other governments	-	2,791	41,086
	-	2,791	41,086
Total assets	\$ -	\$ 2,791	\$ 91,652
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 553
Accrued salaries and benefits	-	-	47,116
Due to other funds	-	2,791	99,160
Deferred revenue	-	-	28,998
	-	2,791	175,827
Total liabilities	-	2,791	175,827
FUND BALANCES			
Restricted	-	-	7,323
Unassigned	-	-	(91,498)
	-	-	(84,175)
Total fund balances (deficits)	-	-	(84,175)
Total liabilities and fund balances	\$ -	\$ 2,791	\$ 91,652

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	<u>ROE/ISC Technology</u>	<u>Illinois Violence Prevention Authority</u>	<u>Early Childhood Block Grant (3705-70)</u>
Revenues:			
Local sources	\$ 32,618	\$ 50	\$ -
State sources	59,978	34,895	-
Federal sources	-	-	-
	<u>92,596</u>	<u>34,945</u>	<u>-</u>
Expenditures:			
Salaries and benefits	58,839	6,489	-
Purchased services	3,686	26,750	-
Supplies and materials	21,048	1,659	-
	<u>83,573</u>	<u>34,898</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	9,023	47	-
Other financing sources:			
Proceeds from sale of capital assets	-	-	-
	<u>9,023</u>	<u>47</u>	<u>-</u>
Fund balances (deficits), beginning of year	<u>(6,026)</u>	<u>1,178</u>	<u>(38)</u>
Fund balances (deficits), end of year	<u><u>\$ 2,997</u></u>	<u><u>\$ 1,225</u></u>	<u><u>\$ (38)</u></u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	ROE/ISC Operations	Regional Safe Schools	Truants Alternative and Optional Education
Revenues:			
Local sources	\$ -	\$ -	\$ 674
State sources	24,305	47,762	101,173
Federal sources	-	-	23,192
Total revenues	<u>24,305</u>	<u>47,762</u>	<u>125,039</u>
Expenditures:			
Salaries and benefits	22,667	26,701	78,921
Purchased services	1,238	20,313	42,790
Supplies and materials	400	600	1,173
Total expenditures	<u>24,305</u>	<u>47,614</u>	<u>122,884</u>
Excess (deficiency) of revenues over (under) expenditures	-	148	2,155
Other financing sources:			
Proceeds from sale of capital assets	-	-	-
Net change in fund balances	-	148	2,155
Fund balances (deficits), beginning of year	<u>1</u>	<u>(1,732)</u>	<u>945</u>
Fund balances (deficits), end of year	<u>\$ 1</u>	<u>\$ (1,584)</u>	<u>\$ 3,100</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	Early Childhood Block Grant (3705-00)	McKinney Education for Homeless Children	System of Support
Revenues:			
Local sources	\$ 82,185	\$ -	\$ -
State sources	220,220	-	-
Federal sources	-	27,616	44,734
	<hr/>	<hr/>	<hr/>
Total revenues	302,405	27,616	44,734
	<hr/>	<hr/>	<hr/>
Expenditures:			
Salaries and benefits	281,597	19,074	87,232
Purchased services	20,250	1,683	11,267
Supplies and materials	1,665	2,355	-
	<hr/>	<hr/>	<hr/>
Total expenditures	303,512	23,112	98,499
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	(1,107)	4,504	(53,765)
Other financing sources:			
Proceeds from sale of capital assets	250	-	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(857)	4,504	(53,765)
Fund balances (deficits), beginning of year	(5,151)	(4,750)	(29,857)
	<hr/>	<hr/>	<hr/>
Fund balances (deficits), end of year	\$ (6,008)	\$ (246)	\$ (83,622)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	ARRA - Education Jobs Fund Program	Title II - Teacher Quality	Total
Revenues:			
Local sources	\$ -	\$ -	\$ 115,527
State sources	-	-	488,333
Federal sources	1,092	3,825	100,459
Total revenues	1,092	3,825	704,319
Expenditures:			
Salaries and benefits	1,092	-	582,612
Purchased services	-	3,710	131,687
Supplies and materials	-	115	29,015
Total expenditures	1,092	3,825	743,314
Excess (deficiency) of revenues over (under) expenditures	-	-	(38,995)
Other financing sources:			
Proceeds from sale of capital assets	-	-	250
Net change in fund balances	-	-	(38,745)
Fund balances (deficits), beginning of year	-	-	(45,430)
Fund balances (deficits), end of year	\$ -	\$ -	\$ (84,175)

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues:			
State sources	\$ 24,305	\$ 24,305	\$ 24,305
Expenditures:			
Salaries and benefits	21,949	22,667	22,667
Purchased services	1,956	1,238	1,238
Supplies and materials	400	400	400
Total expenditures	24,305	24,305	24,305
Net change in fund balance	\$ -	\$ -	-
Fund balance, beginning of year			1
Fund balance, end of year			\$ 1

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues:			
State sources	\$ 47,762	\$ 47,762	\$ 47,762
Expenditures:			
Salaries and benefits	26,701	26,701	26,701
Purchased services	20,461	20,461	20,313
Supplies and materials	600	600	600
Total expenditures	47,762	47,762	47,614
Net change in fund balance	\$ -	\$ -	148
Fund deficit, beginning of year			(1,732)
Fund deficit, end of year			\$ (1,584)

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TRUANTS ALTERNATIVE/OPTIONAL EDUCATION - PROJECT #13-3695-11
For the year ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
Revenues:			
Local sources	\$ -	\$ -	\$ 674
State sources	100,531	100,531	101,173
Federal sources	-	-	23,192
	<u>100,531</u>	<u>100,531</u>	<u>125,039</u>
Expenditures:			
Salaries and benefits	78,880	78,880	78,921
Purchased services	20,278	20,278	42,790
Supplies and materials	1,373	1,373	1,173
	<u>100,531</u>	<u>100,531</u>	<u>122,884</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,155
Fund balance, beginning of year			<u>945</u>
Fund balance, end of year			<u>\$ 3,100</u>

NOTE: Actual column also includes National School Lunch Program revenue (Project 13-4210-00) of \$14,845; School Breakfast Program revenue (Project 13-4220-00) of \$8,347; and State Free Lunch and Breakfast revenue (Project 13-3360-00) of \$642.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**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 Amounts
	Original	Final	
Revenues:			
Federal sources	\$ 2,715	\$ 2,715	\$ 2,715
Expenditures:			
Purchased services	2,600	2,600	2,600
Supplies and materials	115	115	115
Total expenditures	2,715	2,715	2,715
Net change in fund balance	\$ -	\$ -	-
Fund balance, beginning of year			-
Fund balance, end of year			\$ -

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE II - TEACHER QUALITY - PROJECT #13-4932-00
For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Federal sources	\$ 1,110	\$ 1,110	\$ 1,110
Expenditures:			
Purchased services	1,110	1,110	1,110
Net change in fund balance	\$ -	\$ -	-
Fund balance, beginning of year			-
Fund balance, end of year			\$ -

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	Institute	General Education Development	Bus Driver Training	Total
ASSETS				
Cash and cash equivalents	\$ 10,449	\$ 8,936	\$ 1,103	\$ 20,488
Total assets	<u>\$ 10,449</u>	<u>\$ 8,936</u>	<u>\$ 1,103</u>	<u>\$ 20,488</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 536	\$ 536
Due to other funds	-	9,999	-	9,999
Total liabilities	<u>-</u>	<u>9,999</u>	<u>536</u>	<u>10,535</u>
FUND BALANCES				
Restricted	10,449	-	567	11,016
Unassigned	-	(1,063)	-	(1,063)
Total fund balances (deficits)	<u>10,449</u>	<u>(1,063)</u>	<u>567</u>	<u>9,953</u>
Total liabilities and fund balances	<u>\$ 10,449</u>	<u>\$ 8,936</u>	<u>\$ 1,103</u>	<u>\$ 20,488</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	Institute	General Education Development	Bus Driver Training	Total
Revenues:				
Local sources	\$ 15,730	\$ 6,229	\$ 1,592	\$ 23,551
State sources	-	-	688	688
Interest	10	-	-	10
Total revenues	15,740	6,229	2,280	24,249
Expenditures:				
Salaries and benefits	-	10,145	-	10,145
Purchased services	16,917	1,996	2,278	21,191
Supplies and materials	-	7,243	-	7,243
Total expenditures	16,917	19,384	2,278	38,579
Net change in fund balance	(1,177)	(13,155)	2	(14,330)
Other financing sources (uses):				
Transfers in	-	2,771	-	2,771
Transfers out	(3,000)	-	-	(3,000)
Total other financing sources (uses)	(3,000)	2,771	-	(229)
Net change in fund balances	(4,177)	(10,384)	2	(14,559)
Fund balances, beginning of year	14,626	9,321	565	24,512
Fund balances (deficits), end of year	<u>\$ 10,449</u>	<u>\$ (1,063)</u>	<u>\$ 567</u>	<u>\$ 9,953</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	<u>Mt. Vernon Conference</u>	<u>Testing</u>	<u>Finger Printing</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 11,548	\$ 11,548
Accounts receivable	1,299	-	246	1,545
Due from other governments	1,450	-	-	1,450
	<u>2,749</u>	<u>-</u>	<u>11,794</u>	<u>14,543</u>
LIABILITIES				
Current liabilities:				
Accounts payable	-	4,745	756	5,501
Due to other funds	20,952	16,707	-	37,659
	<u>20,952</u>	<u>21,452</u>	<u>756</u>	<u>43,160</u>
NET POSITION				
Unrestricted	<u>(18,203)</u>	<u>(21,452)</u>	<u>11,038</u>	<u>(28,617)</u>
Total net position	<u>\$ (18,203)</u>	<u>\$ (21,452)</u>	<u>\$ 11,038</u>	<u>\$ (28,617)</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	<u>Mt. Vernon Conference</u>	<u>Testing</u>	<u>Finger Printing</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 50,520	\$ 14,566	\$ 23,466	\$ 88,552
Operating expenses:				
Salaries and benefits	12,859	-	18,051	30,910
Purchased services	58,368	22,092	13,240	93,700
Supplies and materials	3,086	-	-	3,086
Total operating expenses	74,313	22,092	31,291	127,696
Operating loss	(23,793)	(7,526)	(7,825)	(39,144)
Transfers in	14,726	-	10,512	25,238
Change in net position	(9,067)	(7,526)	2,687	(13,906)
Total net position - beginning	(9,136)	(13,926)	8,351	(14,711)
Total net position - ending	<u>\$ (18,203)</u>	<u>\$ (21,452)</u>	<u>\$ 11,038</u>	<u>\$ (28,617)</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	Mt. Vernon Conference	Testing	Finger Printing	Total
Cash flows from operating activities:				
Collection of fees	\$ 47,771	\$ 19,018	\$ 23,220	\$ 90,009
Payments to suppliers and providers of goods and services	(61,454)	(17,347)	(13,323)	(92,124)
Payments to employees	(12,859)	-	(18,051)	(30,910)
Net cash provided (used) by operating activities	(26,542)	1,671	(8,154)	(33,025)
Cash flows from noncapital financing activities:				
Receipts (payments) from (for) interfund borrowings, net	11,816	(1,671)	-	10,145
Transfers in	14,726	-	10,512	25,238
Net cash provided (used) by noncapital financing activities	26,542	(1,671)	10,512	35,383
Net increase in cash and cash equivalents	-	-	2,358	2,358
Cash and cash equivalents - beginning	-	-	9,190	9,190
Cash and cash equivalents - ending	\$ -	\$ -	\$ 11,548	\$ 11,548
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ (23,793)	\$ (7,526)	\$ (7,825)	\$ (39,144)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
(Increase) decrease in assets:				
Accounts receivable	(1,299)	-	(246)	(1,545)
Due from other governments	(1,450)	4,452	-	3,002
Increase (decrease) in liabilities:				
Accounts payable	-	4,745	(83)	4,662
Net cash provided (used) by operating activities	\$ (26,542)	\$ 1,671	\$ (8,154)	\$ (33,025)

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2013**

	Health Insurance	Workers' Compensation	Unemployment
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 13,347	\$ 88,664	\$ -
Accounts receivable	-	-	-
Due from other governments	-	-	-
	13,347	88,664	-
Total current assets	13,347	88,664	-
Noncurrent assets:			
Capital assets, net	-	1,814	-
	-	1,814	-
Total assets	13,347	90,478	-
LIABILITIES			
Current liabilities:			
Accounts payable	-	-	-
Accrued salaries and benefits	-	-	-
Due to other funds	-	-	29,288
Current portion of long-term debt	-	-	-
	-	-	29,288
Total current liabilities	-	-	29,288
Noncurrent liabilities:			
Net pension obligation payable	-	24,549	-
Long-term debt, net of current portion	-	-	-
	-	24,549	-
Total noncurrent liabilities	-	24,549	-
Total liabilities	-	24,549	29,288
NET POSITION			
Net investment in capital assets	-	856	-
Unrestricted	13,347	65,073	(29,288)
	13,347	65,073	(29,288)
Total net position	\$ 13,347	\$ 65,929	\$ (29,288)

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF NET POSITION (Concluded)
INTERNAL SERVICE FUNDS
June 30, 2013**

	<u>Transportation Reimbursement</u>	<u>Building</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ -	\$ 102,011
Accounts receivable	85	-	85
Due from other governments	-	4,200	4,200
	<u>85</u>	<u>4,200</u>	<u>106,296</u>
Noncurrent assets:			
Capital assets, net	<u>1,447</u>	<u>674,199</u>	<u>677,460</u>
	<u>1,532</u>	<u>678,399</u>	<u>783,756</u>
LIABILITIES			
Current liabilities:			
Accounts payable	49	873	922
Accrued salaries and benefits	1,326	-	1,326
Due to other funds	49,996	61,601	140,885
Current portion of long-term debt	-	16,781	16,781
	<u>51,371</u>	<u>79,255</u>	<u>159,914</u>
Noncurrent liabilities:			
Net pension obligation payable	-	-	24,549
Long-term debt, net of current portion	-	390,823	390,823
	<u>-</u>	<u>390,823</u>	<u>415,372</u>
	<u>51,371</u>	<u>470,078</u>	<u>575,286</u>
NET POSITION			
Net investment in capital assets	1,447	266,595	268,898
Unrestricted	<u>(51,286)</u>	<u>(58,274)</u>	<u>(60,428)</u>
	<u>\$ (49,839)</u>	<u>\$ 208,321</u>	<u>\$ 208,470</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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

	<u>Health Insurance</u>	<u>Workers' Compensation</u>	<u>Unemployment</u>
Operating revenues:			
Charges for services	\$ 154,734	\$ 27,507	\$ -
Operating expenses:			
Salaries and benefits	-	(1,151)	-
Purchased services	154,299	8,746	35,990
Supplies and materials	-	-	-
Depreciation	-	1,398	-
Total operating expenses	<u>154,299</u>	<u>8,993</u>	<u>35,990</u>
Operating income (loss)	435	18,514	(35,990)
Nonoperating expenses:			
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	435	18,514	(35,990)
Total net position - beginning	<u>12,912</u>	<u>47,415</u>	<u>6,702</u>
Total net position - ending	<u>\$ 13,347</u>	<u>\$ 65,929</u>	<u>\$ (29,288)</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION (Concluded)
INTERNAL SERVICE FUNDS
For the year ended June 30, 2013**

	<u>Transportation Reimbursement</u>	<u>Building</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 6,467	\$ 50,200	\$ 238,908
Operating expenses:			
Salaries and benefits	17,722	-	16,571
Purchased services	9,250	16,226	224,511
Supplies and materials	-	710	710
Depreciation	-	24,035	25,433
Total operating expenses	<u>26,972</u>	<u>40,971</u>	<u>267,225</u>
Operating income (loss)	(20,505)	9,229	(28,317)
Nonoperating expenses:			
Interest expense	<u>-</u>	<u>(23,097)</u>	<u>(23,097)</u>
Change in net position	(20,505)	(13,868)	(51,414)
Total net position - beginning	<u>(29,334)</u>	<u>222,189</u>	<u>259,884</u>
Total net position - ending	<u>\$ (49,839)</u>	<u>\$ 208,321</u>	<u>\$ 208,470</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the year ended June 30, 2013**

	Health Insurance	Workers' Compensation	Unemployment
Cash flows from (for) operating activities:			
Collection of fees	\$ 154,734	\$ 27,507	\$ -
Payments to suppliers and providers of goods and services	(154,299)	(8,949)	(35,990)
Payments to employees	-	-	-
Net cash provided (used) by operating activities	<u>435</u>	<u>18,558</u>	<u>(35,990)</u>
Cash flows from noncapital financing activities:			
Receipts from interfund borrowings, net	-	-	<u>29,288</u>
Cash flows for capital and related financing activities:			
Principal paid on capital debt	-	-	-
Interest paid on capital debt	-	-	-
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	435	18,558	(6,702)
Cash and cash equivalents - beginning	<u>12,912</u>	<u>70,106</u>	<u>6,702</u>
Cash and cash equivalents - ending	<u><u>\$ 13,347</u></u>	<u><u>\$ 88,664</u></u>	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 435	\$ 18,514	\$ (35,990)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	1,398	-
Increase in assets:			
Accounts receivable	-	-	-
Due from other governments	-	-	-
Increase (decrease) in liabilities:			
Accounts payable	-	(203)	-
Accrued salaries and benefits	-	-	-
Net pension obligation payable	-	(1,151)	-
Net cash provided (used) by operating activities	<u><u>\$ 435</u></u>	<u><u>\$ 18,558</u></u>	<u><u>\$ (35,990)</u></u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF CASH FLOWS (Concluded)
INTERNAL SERVICE FUNDS
For the year ended June 30, 2013**

	Transportation Reimbursement	Building	Total
Cash flows from (for) operating activities:			
Collection of fees	\$ 6,382	\$ 48,100	\$ 236,723
Payments to suppliers and providers of goods and services	(9,666)	(17,054)	(225,958)
Payments to employees	(16,396)	-	(16,396)
Net cash provided (used) by operating activities	(19,680)	31,046	(5,631)
Cash flows from noncapital financing activities:			
Receipts from interfund borrowings, net	19,680	26,047	75,015
Cash flows for capital and related financing activities:			
Principal paid on capital debt	-	(33,996)	(33,996)
Interest paid on capital debt	-	(23,097)	(23,097)
Net cash used by capital and related financing activities	-	(57,093)	(57,093)
Net increase (decrease) in cash and cash equivalents	-	-	12,291
Cash and cash equivalents - beginning	-	-	89,720
Cash and cash equivalents - ending	\$ -	\$ -	\$ 102,011
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (20,505)	\$ 9,229	\$ (28,317)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	24,035	25,433
Increase in assets:			
Accounts receivable	(85)	-	(85)
Due from other governments	-	(2,100)	(2,100)
Increase (decrease) in liabilities:			
Accounts payable	(416)	(118)	(737)
Accrued salaries and benefits	1,326	-	1,326
Net pension obligation payable	-	-	(1,151)
Net cash provided (used) by operating activities	\$ (19,680)	\$ 31,046	\$ (5,631)

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
June 30, 2013**

	Rend Lake Regional Delivery System	Clearing	Regional Vocational Board	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ 500	\$ 9,705	\$ 10,205
Accounts receivable	-	500	-	500
Due from other governments	18,352	-	-	18,352
Total assets	\$ 18,352	\$ 1,000	\$ 9,705	\$ 29,057
LIABILITIES				
Due to other governments	\$ 18,352	\$ 1,000	\$ 9,705	\$ 29,057
Total Liabilities	\$ 18,352	\$ 1,000	\$ 9,705	\$ 29,057

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
For the year ended June 30, 2013**

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2013</u>
<u>REND LAKE REGIONAL DELIVERY SYSTEM</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 399,029	\$ 399,029	\$ -
Due from other governments	-	18,352	-	18,352
Total assets	<u>\$ -</u>	<u>\$ 417,381</u>	<u>\$ 399,029</u>	<u>\$ 18,352</u>
LIABILITIES				
Due to other governments	\$ -	\$ 18,352	\$ -	18,352
Total liabilities	<u>\$ -</u>	<u>\$ 18,352</u>	<u>\$ -</u>	<u>\$ 18,352</u>
<u>CLEARING</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 1,730	\$ 1,230	\$ 500
Accounts receivable	-	500	-	500
Total assets	<u>\$ -</u>	<u>\$ 2,230</u>	<u>\$ 1,230</u>	<u>\$ 1,000</u>
LIABILITIES				
Due to other governments	\$ -	\$ 1,000	\$ -	\$ 1,000
Total liabilities	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND (Concluded)
For the year ended June 30, 2013**

	July 1, 2012	Additions	Deductions	June 30, 2013
<u>REGIONAL VOCATIONAL BOARD</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 68,298	\$ 58,593	\$ 9,705
Due from other governments	10,026	-	10,026	-
Total assets	<u>\$ 10,026</u>	<u>\$ 68,298</u>	<u>\$ 68,619</u>	<u>\$ 9,705</u>
LIABILITIES				
Due to other governments	\$ 10,026	\$ 9,705	\$ 10,026	\$ 9,705
Total liabilities	<u>\$ 10,026</u>	<u>\$ 9,705</u>	<u>\$ 10,026</u>	<u>\$ 9,705</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 469,057	\$ 458,852	\$ 10,205
Accounts receivable	-	500	-	500
Due from other governments	10,026	18,352	10,026	18,352
Total assets	<u>\$ 10,026</u>	<u>\$ 487,909</u>	<u>\$ 468,878</u>	<u>\$ 29,057</u>
LIABILITIES				
Due to other governments	\$ 10,026	\$ 29,057	\$ 10,026	\$ 29,057
Total liabilities	<u>\$ 10,026</u>	<u>\$ 29,057</u>	<u>\$ 10,026</u>	<u>\$ 29,057</u>