

State of Illinois
HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
FINANCIAL AUDIT
For the Year Ended June 30, 2014

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

HANCOCK/MCDONOUGH COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
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HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26

OFFICIALS

Regional Superintendent
(Current and During the Audit Period)

Mr. John Meixner

Assistant Regional Superintendent
(Current and During the Audit Period,
Part-Time Effective January 1, 2012)

Mr. Jim McCain

Assistant Regional Superintendent
(Part-Time January 1, 2012, through November 15, 2013)

Mr. Gary Eddington

Assistant Regional Superintendent
(Part-Time November 18, 2013, through January 31, 2014)

Ms. Joanne Curtis

Office is located at:

130 South LaFayette Street, Suite 200
Macomb, Illinois 61455

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26

FINANCIAL REPORT SUMMARY

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	4	4
Repeated audit findings	3	2
Prior recommendations implemented or not repeated	1	0

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

SUMMARY OF FINDINGS AND RESPONSES

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

2014-001	11a	Controls over Financial Statement Preparation	Material Weakness
2014-002	11d	Inadequate Internal Control Procedures	Material Weakness
2014-003	11h	Inadequate Internal Controls over Expenditures	Material Weakness
2014-004	11j	Noncompliance with Grant Requirements	Noncompliance

PRIOR AUDIT FINDINGS NOT REPEATED (*GOVERNMENT AUDITING STANDARDS*)

None

PRIOR AUDIT FINDINGS NOT REPEATED (*FEDERAL COMPLIANCE*)

2013-004	13	Compliance with Reporting Requirements
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HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26

FINANCIAL REPORT SUMMARY (Concluded)

EXIT CONFERENCE

An informal exit conference was held on December 12, 2014, with John Meixner, Regional Superintendent; Allyson Curry, Controller; Deb Wright, Payroll Bookkeeper; Tami Knight, CPA, Partner, Kemper CPA Group; and Karen Bojda, CPA, Kemper CPA Group. Potential findings were discussed and recommendations for change or improvement in current procedures were presented. Responses to the recommendations were provided by John Meixner, Regional Superintendent.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of Hancock/McDonough Counties Regional Office of Education #26 was performed by Kemper CPA Group LLP.

Based on their audit, the auditors expressed an unmodified opinion on Hancock/McDonough Counties Regional Office of Education #26's basic financial statements.

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hancock/McDonough Counties Regional Office of Education #26, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Hancock/McDonough Counties Regional Office of Education #26's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hancock/McDonough Counties Regional Office of Education #26, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 14a through 14f and 55 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 Hancock/McDonough Counties Regional Office of Education #26's basic financial statements. The combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and the Schedule of Disbursements to Other Entities - Distributive Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

the United States of America. In our opinion, the combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and the Schedule of Disbursements to Other Entities - Distributive Fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2015, on our consideration of the Hancock/McDonough Counties Regional Office of Education #26's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hancock/McDonough Counties Regional Office of Education #26's internal control over financial reporting and compliance.

Kemper CPA Group LLP

*Certified Public Accountants
and Consultants*

Mattoon, Illinois
June 15, 2015



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hancock/McDonough Counties Regional Office of Education #26, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Hancock/McDonough Counties Regional Office of Education #26's basic financial statements and have issued our report thereon dated June 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hancock/McDonough Counties Regional Office of Education #26'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 Hancock/McDonough Counties Regional Office of Education #26's internal control. Accordingly, we do not express an opinion on the effectiveness of Hancock/McDonough Counties Regional Office of Education #26's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a

combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as findings 2014-001, 2014-002, and 2014-003 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hancock/McDonough Counties Regional Office of Education #26'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as finding 2014-004.

Regional Office of Education #26's Responses to Findings

Hancock/McDonough Counties Regional Office of Education #26's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Hancock/McDonough Counties Regional Office of Education #26'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 Hancock/McDonough Counties Regional Office of Education #26's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hancock/McDonough Counties Regional Office of Education #26's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kemper CPA Group LLP

*Certified Public Accountants
and Consultants*

Mattoon, Illinois
June 15, 2015

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	Yes
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	Yes

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding No. 2014-001 – Controls over Financial Statement Preparation (Repeated from Finding No. 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-01)

Criteria/Specific Requirement:

The Regional Office of Education #26 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Regional Office's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP-based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

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

Condition:

The Regional Office of Education #26 does not have sufficient internal controls over the financial reporting process. The Regional Office of Education #26 maintains its accounting records on cash basis accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While the Regional Office of Education #26 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation 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 omissions in a timely manner.

During review of the Regional Office of Education #26's financial information prepared by the Regional Office of Education #26, the following were noted:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Regional Office did maintain records to indicate the balances of accounts receivable, accounts payable, and unearned revenue, no entries were provided to reconcile the Regional Office of Education #26's grant activity, such as posting grant receivables and unearned revenue.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2014-001 – Controls over Financial Statement Preparation (Repeated from Finding No. 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-01)
(Continued)

- \$6,239 of local revenue was misclassified as State revenue in the General Fund Hancock McDonough Alternative Schools account.
- Activity in the General Fund Apex account was recorded in error in the Hancock McDonough Alternative Schools account.
- Numerous material adjustments were needed to make the financial statements comply with generally accepted accounting principles.

Effect:

The Regional Office of Education #26's 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 the Regional Office of Education #26's management, current funding levels are not adequate to hire and/or train accounting personnel in order to comply with these requirements. In addition, staff changes contributed to bookkeeping difficulties in the current year.

Auditor's Recommendation:

As part of internal control over the preparation of financial statements, the Regional Office of Education #26 should implement comprehensive preparation procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by a properly trained individual(s) possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the Regional Office of Education #26's activities and operations.

Management's Response:

The Regional Office of Education #26 accepts the degree of risk associated with this condition because the additional expense to seek outside accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2014-001 – Controls over Financial Statement Preparation (Repeated from Finding No. 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-01) (Concluded)

The Regional Office of Education #26 will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring that its employees possess the knowledge required to compile the necessary GAAP-based financial statements. The organization will also research the possibility of having another accounting company prepare our financial statements independent of the auditors.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2014-002 – Inadequate Internal Control Procedures (Partial repeat from Finding No. 13-002 and 12-02)

Criteria/Specific Requirement:

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

Condition:

Auditors noted the following weaknesses in the Regional Office's internal control system for which there were no mitigating controls:

- A. There is inadequate segregation of duties over cash receipts. Payments received by check are given to the individual who records them in the accounting system. The individual who records receipts should not have physical custody of the receipts.
- B. Cash balances were overstated by \$9,192 due to incorrect transferring of cash from one fund to another. Cash transferred in was recorded as revenue in the receiving fund and not transferred out from the transferring fund.
- C. Seventeen of 24 (71%) journal entries examined were not supported by adequate documentation, and of these, auditors could not determine the validity of 5 entries. Fourteen of 24 (58%) journal entries examined had no evidence of review by someone independent of the general ledger process.
- D. Administrative costs and the associated reimbursing transfer of cash were recorded as revenues and expenditures in both the special revenue fund that incurred the cost and in a general fund account from which expenses were paid, resulting in double-booking of revenues and expenditures.
- E. Capital asset additions totaling \$29,342 were miscoded and not initially included on the Regional Office's asset listing.
- F. Two out of 13 (15%) deliveries of inventory by employees of the Western Area Purchasing Co-op to Co-op members lacked adequate documentation.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2014-002 – Inadequate Internal Control Procedures (Partial repeat from Finding No. 13-002 and 12-02) (Continued)

- G. The October 2013 to June 2014 bank reconciliations did not agree to the general ledger cash balances. In addition, none of the bank reconciliations were performed and reviewed in a timely manner.
- H. Education for Homeless Children and Youth grant funding of \$6,145 that remained unspent in the Adult Learning Resource Center Fund and was due back to the grantor at the end of FY2013 had not been returned to the grantor at the end of FY2014.
- I. Credit card receipt activity for several funds was tracked separately outside the accounting system and was not recorded in the Regional Office's general ledger. The bank reconciliation did not agree to the general ledger cash balance in the Fingerprinting Fund because cash receipt activity in the bank account used to process credit card payments was not recorded in the Regional Office's general ledger.
- J. The Western Area Purchasing Co-op does not perform a physical inventory count at year end; rather, they perform a physical count after most inventory has been delivered to Co-op members and calculate the year-end inventory value from supporting documents, such as vendor invoices, shipping manifests, and receipts of delivery to Co-op members. These documents did not support the inventory value reported by the Co-op.

Effect:

Lack of sufficient internal controls over the financial process of the Regional Office could result in unintentional or intentional errors or misappropriations of assets which could be material to the financial statements and may not be detected in a timely manner by employees or management in the normal course of performing their assigned duties.

Cause:

The Regional Office of Education #26 has not established or documented sufficient internal control procedures.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

**Finding No. 2014-002 – Inadequate Internal Control Procedures (Partial repeat
from Finding No. 13-002 and 12-02) (Continued)**

Auditor's Recommendation:

- A. The individual responsible for the cash recording process should not be given physical access to cash receipts. An individual independent of the recording process should make cash deposits and verify that the amounts recorded agree to deposit records.
- B. Interfund cash transfers should be recorded in both the fund from which cash is transferred and the fund into which it is transferred.
- C. All journal entries should be accompanied by supporting documentation and have documented review and approval by someone independent of the general ledger processes.
- D. Administrative costs should be recorded in the fund that incurred the expenses. The associated transfer of cash to reimburse the fund that paid the costs should be recorded as an offset to the associated expenditure account in the reimbursed fund, or this activity should be recorded in an internal service fund.
- E. The Regional Office should establish procedures to ensure their capital asset listing is maintained in accordance with the Regional Office's capital asset policy.
- F. To provide documentation of the Regional Office's internal controls over inventory, the Western Area Purchasing Co-op employees should obtain the Co-op member's signature on the packing slip or shipping manifest when inventory is delivered to Co-op members.
- G. Bank balances should be timely reconciled to the general ledger and any discrepancies identified and corrected.
- H. Absent an extension or permission from the grantor to carry unspent funding forward to the next grant period, any unspent grant funds at the end of the grant period should be returned to the grantor in a timely manner.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2014-002 – Inadequate Internal Control Procedures (Partial repeat from Finding No. 13-002 and 12-02) (Concluded)

- I. All receipts of the Regional Office should follow the established internal control procedures governing processing, support, and review of receipts. Receipts of restricted funding for special revenue funds should be recorded in the appropriate fund. All cash balances should be recorded in the general ledger, and all bank account balances should be reconciled to the general ledger.
- J. The Western Area Purchasing Co-op staff should perform a physical inventory count on or near the fiscal year end or should maintain adequate documentation to support the calculated year-end value.

Management's Response:

The Regional Office will review the current auditors' recommendations and will revise Hancock/McDonough Regional Office of Education policies, procedures and/or practices to address the findings noted as needed.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2014-003 – Inadequate Internal Controls over Expenditures (Partial repeat from Finding No. 13-003)

Criteria/Specific Requirement:

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

Condition:

- A. In 1 out of 14 (7%) credit card statements examined, original receipts were not attached and reconciled to the statements. In addition, purchases on three of the credit card statements included sales tax totaling \$6.24.
- B. A duplicate Distributive Fund payment of \$68,788 was made to the Western Area Career System in error.
- C. Prepaid FY15 expenditures totaling \$10,577 were erroneously expensed in FY14 in the General Fund Apex, Regional Programs, and Hancock/McDonough Alternative Schools accounts.
- D. FY13 expenditures totaling \$3,641 were not accrued in the Teaching American History grant program in the prior year, and because the grant ended last year, these costs had to be paid from the General Fund in the current year.
- E. A mileage reimbursement was miscalculated so that an employee was over-reimbursed \$15.84 in the Child and Family Connections program.
- F. There is no indication that original vendor invoices are reviewed and approved when payment requests from the Western Area Purchasing Coop are submitted for payment.

Effect:

Lack of sufficient internal controls over expenditures could result in unintentional or intentional errors or misappropriations of assets which could be material to the financial statements and may not be detected in a timely manner by employees or management in the normal course of performing their assigned duties.

Cause:

The Regional Office of Education #26 has not established or documented sufficient internal control procedures over expenditures.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2014-003 – Inadequate Internal Controls over Expenditures (Partial repeat from Finding No. 13-003) (Concluded)

Auditor’s Recommendation:

- A. All original credit card receipts should be reviewed, approved, and reconciled to credit card statements prior to the credit card statement being paid. Staff members who are authorized to make credit card purchases should provide the Regional Office’s tax-exempt certificate or number to vendors to avoid paying sales tax on purchases.
- B. Supporting documentation for all transactions should be maintained in such a way that it can be timely located in the event of any questions or disputes from vendors, grantors, clients, or auditors about their occurrence, amount, classification, timing, or obligations. In addition, before replacing a lost or missing check, the Regional Office should determine whether that check has already been cashed.
- C. The Regional Office should observe proper cutoff and record expenses in the fiscal year in which they were or will be incurred.
- D. Expenditure reports should be reconciled to the general ledger to ensure that all expenditures incurred within the grant period are reported for reimbursement. Prior to year end, program directors should review program activity for costs incurred during the grant period, but not yet invoiced, so that funds can be appropriately obligated for reimbursement.
- E. The Regional Office should design and implement internal control procedures to ensure that payments are reviewed for accuracy.
- F. Original vendor invoices should accompany all payment requests, and review and approval of the invoices for payment should be documented. The Regional Office should retain a copy of all invoices approved for payment in its accounting records.

Management’s Response:

The Regional Office will review the current auditors’ recommendations and will revise Hancock/McDonough Regional Office of Education policies, procedures and/or practices to address the findings noted as needed.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2014-004 – Noncompliance with Grant Requirements

Criteria/Specific Requirement:

The Regional Office must comply with grant accounting and reporting requirements established by grant agreements with the Illinois State Board of Education (ISBE) and other grantors in addition to the requirements established by ISBE's fiscal policies and procedures for grantees. Among these requirements are accurate, current, and complete disclosure of grant financial activity and an amended program budget if an expenditure line item exceeds the budgeted amount by the greater of \$1,000 or 20%.

Condition:

- A. Expenditure reports submitted for the Family Violence, Truants Alternative Optional Education Program (TAOEP) 3695-13 and 3695-14, Child and Family Connections, and Early Childhood 3705-01 and 3705-00 grant programs did not agree to the expenditures recorded in the Regional Office's accounting records.
- B. Expenditures for purchased services in the Truants Alternative and Optional Education Program exceeded the budgeted amount by more than ISBE's permitted threshold; however, an amended budget was not submitted to ISBE.
- C. Activity for the Title II – Teacher Quality – Leadership program was recorded in the General Fund rather than tracked separately in a restricted fund.

Effect:

- A. Expenditure reports submitted to grantors did not accurately reflect actual expenditures, resulting in a failure to comply with the grant requirement for accurate, current, and complete disclosure of financial results.
- B. Failure to amend the TAOEP budget resulted in noncompliance with ISBE's grant requirements.
- C. Failure to account for restricted funding in a way that allows management to track its use separately from activity that is not similarly restricted does not allow the Regional Office to monitor whether restricted funding is used for the specific purposes permitted and may cause noncompliance with grant restrictions to go undetected.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS (Concluded)

Finding No. 2014-004 – Noncompliance with Grant Requirements (Concluded)

Cause:

Grant expenditure reports and budgetary comparisons were not prepared using information obtained from the Regional Office's accounting system. The Education Fund accounts established for the Title II grant were not used for tracking this grant's activity.

Auditor's Recommendation:

- A. Grant reports that disclose financial information should be prepared using current and accurate financial data based on reports obtained from the Regional Office's accounting system.
- B. Budgets should be amended and resubmitted to the granting agency whenever expenditures by line item exceed thresholds established by the grantor.
- C. All grant activity should be recorded using a separate set of accounts that allows management and program directors to monitor compliance with grant restrictions that funding be used only for specific purposes.

Management's Response:

The Regional Office will review the current auditors' recommendations and will revise Hancock/McDonough Regional Office of Education policies, procedures and/or practices to address the findings noted as needed.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

CORRECTIVE ACTION PLAN

Finding No. 2014-001 – Controls over Financial Statement Preparation (Repeated from Finding No. 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-01)

Condition:

The Regional Office of Education #26 does not have sufficient internal controls over the financial reporting process. The Regional Office of Education #26 maintains its accounting records on cash basis accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While the Regional Office of Education #26 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation 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 omissions in a timely manner.

During review of the Regional Office of Education #26's financial information prepared by the Regional Office of Education #26, the following were noted:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Regional Office did maintain records to indicate the balances of accounts receivable, accounts payable, and unearned revenue, no entries were provided to reconcile the Regional Office of Education #26's grant activity, such as posting grant receivables and unearned revenue.
- \$6,239 of local revenue was misclassified as State revenue in the General Fund Hancock McDonough Alternative Schools account.
- Activity in the General Fund Apex account was recorded in error in the Hancock McDonough Alternative Schools account.
- Numerous material adjustments were needed to make the financial statements comply with generally accepted accounting principles.

Plan:

The Regional Office of Education #26 accepts the degree of risk associated with this condition because the additional expense to seek outside accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region.

The Regional Office of Education #26 will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring that its employees possess the knowledge required to compile the necessary GAAP-based financial statements. The organization will also research the possibility of having another accounting company prepare our financial statements independent of the auditors.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Finding No. 2014-001 – Controls over Financial Statement Preparation (Repeated from Finding No. 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-01) (Concluded)

Anticipated Date of Completion:

Undetermined

Contact Person Responsible for Corrective Action:

Mr. John Meixner, Regional Superintendent

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Finding No. 2014-002 – Inadequate Internal Control Procedures (Partial repeat from Finding No. 13-002 and 12-02)

Condition:

Auditors noted the following weaknesses in the Regional Office's internal control system for which there were no mitigating controls:

- A. There is inadequate segregation of duties over cash receipts. Payments received by check are given to the individual who records them in the accounting system. The individual who records receipts should not have physical custody of the receipts.
- B. Cash balances were overstated by \$9,192 due to incorrect transferring of cash from one fund to another. Cash transferred in was recorded as revenue in the receiving fund and not transferred out from the transferring fund.
- C. Seventeen of 24 (71%) journal entries examined were not supported by adequate documentation, and of these, auditors could not determine the validity of 5 entries. Fourteen of 24 (58%) journal entries examined had no evidence of review by someone independent of the general ledger process.
- D. Administrative costs and the associated reimbursing transfer of cash were recorded as revenues and expenditures in both the special revenue fund that incurred the cost and in a general fund account from which expenses were paid, resulting in double-booking of revenues and expenditures.
- E. Capital asset additions totaling \$29,342 were miscoded and not initially included on the Regional Office's asset listing.
- F. Two out of 13 (15%) deliveries of inventory by employees of the Western Area Purchasing Co-op to Co-op members lacked adequate documentation.
- G. The October 2013 to June 2014 bank reconciliations did not agree to the general ledger cash balances. In addition, none of the bank reconciliations were performed and reviewed in a timely manner.
- H. Education for Homeless Children and Youth grant funding of \$6,145 that remained unspent in the Adult Learning Resource Center Fund and was due back to the grantor at the end of FY2013 had not been returned to the grantor at the end of FY2014.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Finding No. 2014-002 – Inadequate Internal Control Procedures (Partial repeat from Finding No. 13-002 and 12-02) (Continued)

- I. Credit card receipt activity for several funds was tracked separately outside the accounting system and was not recorded in the Regional Office's general ledger. The bank reconciliation did not agree to the general ledger cash balance in the Fingerprinting Fund because cash receipt activity in the bank account used to process credit card payments was not recorded in the Regional Office's general ledger.
- J. The Western Area Purchasing Co-op does not perform a physical inventory count at year end; rather, they perform a physical count after most inventory has been delivered to Co-op members and calculate the year-end inventory value from supporting documents, such as vendor invoices, shipping manifests, and receipts of delivery to Co-op members. These documents did not support the inventory value reported by the Co-op.

Plan:

- A. The Regional Office of Education will adequately segregate duties over cash receipts. This practice has since been adopted since the auditor exit interview.
- B. The Regional Office of Education has changed the process on how to handle cash balance transfers.
- C. The Regional Office of Education will now require documentation and proper review for journal entries.
- D. The Regional Office of Education will change the procedures in order to solve this condition.
- E. Due to numerous personnel changes and an extended illness for another employee, the capital asset list was not properly updated. It has since been reviewed and updated.
- F. Employees of the Western Area Purchasing Coop have been briefed on this condition and will make the appropriate procedural changes in the upcoming season – Summer 2015.
- G. Due to numerous personnel changes and an extended illness for another employee, bank reconciliations were delayed. All bank reconciliations are now up to date and will be done in a timely manner.
- H. The Program Director is reviewing the records on this condition.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Finding No. 2014-002 – Inadequate Internal Control Procedures (Partial repeat from Finding No. 13-002 and 12-02) (Concluded)

- I. The Regional Office of Education is in the process of changing the reconciliation practice.
- J. The Western Area Purchasing Coop finds it's simply not practical to perform a physical inventory count at fiscal year end as it lands in the middle of their peak delivery season. However, they are researching the possibility of investing in an automated inventory system.

Anticipated Date of Completion:

Completion dates are indicated in the individual Plan responses.

Contact Person Responsible for Corrective Action:

Mr. John Meixner, Regional Superintendent

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Finding No. 2014-003 – Inadequate Internal Controls over Expenditures (Partial repeat from Finding No. 13-003)

Condition:

- A. In 1 out of 14 (7%) credit card statements examined, original receipts were not attached and reconciled to the statements. In addition, purchases on three of the credit card statements included sales tax totaling \$6.24.
- B. A duplicate Distributive Fund payment of \$68,788 was made to the Western Area Career System in error.
- C. Prepaid FY15 expenditures totaling \$10,577 were erroneously expensed in FY14 in the General Fund Apex, Regional Programs, and Hancock/McDonough Alternative Schools accounts.
- D. FY13 expenditures totaling \$3,641 were not accrued in the Teaching American History grant program in the prior year, and because the grant ended last year, these costs had to be paid from the General Fund in the current year.
- E. A mileage reimbursement was miscalculated so that an employee was over-reimbursed \$15.84 in the Child and Family Connections program.
- F. There is no indication that original vendor invoices are reviewed and approved when payment requests from the Western Area Purchasing Coop are submitted for payment.

Plan:

- A. It is policy at the Regional Office of Education that all credit card statements must include supporting receipts. Policy and practices will be reviewed.
- B. This condition was corrected January 2015.
- C. Future expenditures in the listed funds will be appropriately recorded in the correct fiscal year.
- D. This condition has been corrected.
- E. The Regional Office of Education has now implemented the use of a standard mileage reimbursement form throughout the organization.
- F. The Western Area Purchasing Coop will now ensure they will review original vendor invoices and include them upon payment requests.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Finding No. 2014-003 – Inadequate Internal Controls over Expenditures (Partial repeat from Finding No. 13-003) (Concluded)

Anticipated Date of Completion:

Completion dates are listed in the individual Plan responses.

Contact Person Responsible for Corrective Action:

Mr. John Meixner, Regional Superintendent

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Finding No. 2014-004 – Noncompliance with Grant Requirements

Condition:

- A. Expenditure reports submitted for the Family Violence, Truants Alternative Optional Education Program (TAOEP) 3695-13 and 3695-14, Child and Family Connections, and Early Childhood 3705-01 and 3705-00 grant programs did not agree to the expenditures recorded in the Regional Office’s accounting records.
- B. Expenditures for purchased services in the Truants Alternative and Optional Education Program exceeded the budgeted amount by more than ISBE’s permitted threshold; however, an amended budget was not submitted to ISBE.
- C. Activity for the Title II – Teacher Quality – Leadership program was recorded in the General Fund rather than tracked separately in a restricted fund.

Plan:

- A. The Regional Office of Education along with the staff of the programs listed in this condition will review and update any procedures in order to correct this condition.
- B. There has been no notification from ISBE regarding this budget differential. Practices will be reviewed.
- C. The Regional Office of Education has corrected this condition.

Anticipated Date of Completion:

Completion dates are listed in the individual Plan responses.

Contact Person Responsible for Corrective Action:

Mr. John Meixner, Regional Superintendent

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
2013-001	Controls over Financial Statement Preparation	Repeated as Finding 2014-001
2013-002	Inadequate Internal Control Procedures	Partially repeated as Finding 2014-002
2013-003	Inadequate Internal Control over Expenditures	Partially repeated as Finding 2014-003
2013-004	Compliance with Reporting Requirements	Not repeated

MANAGEMENT'S DISCUSSION AND ANALYSIS

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

The Hancock/McDonough Regional Office of Education #26 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, 2014. We encourage readers to consider this information with the Regional Office of Education #26's financial statements, which follow.

2014 Financial Highlights

General Fund revenues decreased from \$821,735 in fiscal year 2013 (FY13) to \$807,380 in fiscal year 2014 (FY14). The General Fund expenditures increased from \$850,360 in FY13 to \$940,874 in FY14. The Regional Office experienced a decrease in the General Fund balance from \$791,681 at the end of FY13 to a General Fund balance of \$639,022 at the end of FY14.

The Special Revenue Funds revenue decreased by \$516,384 from \$2,264,674 in FY13 to \$1,748,290 in FY14. Their expenditures decreased by \$550,880 from \$2,322,190 in FY13 to \$1,771,310 in FY14. These decreases are due to the decreased funds in current grants and the elimination of other grant funds.

Using This Annual Report

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the 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 of Education #26 as a whole and present an overall view of the Office's finances.
- The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the 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 essential to a full understanding of the data provided in the basic financial statements.
- Supplementary information further explains and supports the financial statements with a comparison of the Office's detailed information for each category of funds and also provides detailed information about the nonmajor funds.

Reporting the Regional Office of Education #26 as a Whole

The Statement of Net Position and the Statement of Activities

The government-wide statements report information about the Regional Office of Education #26 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Regional Office of Education #26's assets and liabilities. All of the current-year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Reporting the Regional Office of Education #26 as a Whole (Concluded)

The two government-wide statements report the Office's net position and how it has changed. Net position—the difference between the assets and liabilities—is one way to measure the Office's health.

- 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 Office's overall health, additional nonfinancial factors, such as new laws, rules, regulations, and actions by officials at the State level need to be considered.

Fund Financial Statements

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 which allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by State law. The Regional Office of Education #26 established other funds to control and manage money for particular purposes.

- 1) Governmental funds account for a majority of the 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 balance left at year end that is 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 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 account for services for which the Regional Office of Education #26 charges fees under a cost-reimbursement method. These fees cover the costs of certain services and workshops it provides.

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 account for assets for which the Regional Office of Education #26 acts as fiscal agent for individuals and private or governmental organizations.

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

A summary reconciliation between the government-wide financial statements and the governmental fund financial statements is included after each governmental fund financial statement.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The Regional Office of Education #26's net position decreased by \$79,417 from \$809,470 in FY13 to \$730,053 in FY14. This decrease occurred primarily in the governmental activities, as discussed below.

Net position related to the Education Fund and the Nonmajor Special Revenue Funds is considered restricted for educational purposes.

The analysis that follows provides a summary of the Office's net position at June 30, 2014 and 2013.

CONDENSED STATEMENT OF NET POSITION

June 30, 2014 and 2013

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
ASSETS						
Current Assets	\$ 970,738	\$ 1,160,602	\$ 445,685	\$ 342,362	\$ 1,416,423	\$ 1,502,964
Noncurrent Assets						
Capital assets, net of depreciation	60,270	76,848	62,434	41,543	122,704	118,391
TOTAL ASSETS	1,031,008	1,237,450	508,119	383,905	1,539,127	1,621,355
LIABILITIES						
Current Liabilities	288,134	306,650	520,940	505,235	809,074	811,885
TOTAL LIABILITIES	288,134	306,650	520,940	505,235	809,074	811,885
NET POSITION						
Invested in capital assets, net of related debt	60,270	76,848	62,434	41,543	122,704	118,391
Restricted for educational purposes	43,582	62,271	-	-	43,582	62,271
Unrestricted	639,022	791,681	(75,255)	(162,873)	563,767	628,808
TOTAL NET POSITION	\$ 742,874	\$ 930,800	\$ (12,821)	\$ (121,330)	\$ 730,053	\$ 809,470

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Government-Wide Financial Analysis (Concluded)

CHANGES IN NET POSITION

For the Years Ended June 30, 2014 and 2013

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Operating grants & contributions	\$ 1,713,485	\$ 2,294,274	\$ -	\$ -	\$ 1,713,485	\$ 2,294,274
Charges for services	-	-	962,494	663,403	962,494	663,403
General revenues:						
Local sources	189,611	275,250	-	-	189,611	275,250
State sources	205,894	184,565	-	-	205,894	184,565
On-behalf payments	431,843	383,703	-	-	431,843	383,703
Transfers	-	1,000	-	(1,000)	-	-
Investment income	3	1,101	242	-	245	1,101
Total Revenues	<u>2,540,836</u>	<u>3,139,893</u>	<u>962,736</u>	<u>662,403</u>	<u>3,503,572</u>	<u>3,802,296</u>
Expenses:						
Salaries & benefits	1,611,818	1,689,767	35,711	38,203	1,647,529	1,727,970
Purchased services	391,861	758,199	46,966	52,102	438,827	810,301
Supplies and materials	54,252	39,504	767,541	762,406	821,793	801,910
Depreciation	26,766	27,791	4,009	4,875	30,775	32,666
Other objects	4,278	-	-	-	4,278	-
Payments to other governments	207,944	282,146	-	-	207,944	282,146
On-behalf payments	431,843	383,703	-	-	431,843	383,703
Total Expenses	<u>2,728,762</u>	<u>3,181,110</u>	<u>854,227</u>	<u>857,586</u>	<u>3,582,989</u>	<u>4,038,696</u>
Change in net position	(187,926)	(41,217)	108,509	(195,183)	(79,417)	(236,400)
Net position - Beginning	<u>930,800</u>	<u>972,017</u>	<u>(121,330)</u>	<u>73,853</u>	<u>809,470</u>	<u>1,045,870</u>
Net position - Ending	<u>\$ 742,874</u>	<u>\$ 930,800</u>	<u>\$ (12,821)</u>	<u>\$ (121,330)</u>	<u>\$ 730,053</u>	<u>\$ 809,470</u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Governmental Activities

For FY14, revenues for governmental activities were \$2,540,836 and expenses were \$2,728,762. Revenues and expenses both were down from FY13. Net position decreased by \$187,926.

Business-Type Activities

Combined revenue and expense for the Regional Office of Education #26's business-type activities increased net position by \$108,509. This increase was primarily due to additional Western Area Purchasing Co-op revenues.

Financial Analysis of the Regional Office of Education #26 Funds

As previously noted, the ROE #26 uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The Regional Office's governmental funds report combined fund balances of \$646,058 in FY14 and \$802,569 in FY13, a decrease of \$156,511 (20%). The Regional Office's proprietary funds' net position was \$(12,821) in FY14 and \$(121,330) in FY13, an improvement of \$108,509 (89%).

Governmental Fund Highlights

Revenues for governmental funds were \$2,555,670 and expenditures were \$2,712,184 in FY14. Both decreased from FY13, primarily due to decreases in state funding.

- The number of dollars coming from the State of Illinois to the Regional Office of Education #26 for staff development programs has continued to decrease, impacting the number of programs that can be offered.
- The timeliness of payments from the State of Illinois to the Regional Office of Education #26 was deplorable as it was extremely late. This resulted in serious cash flow issues.
- The state aid accrued to the Regional Office of Education Safe School/Alternative School Programs has diminished due to the State prorating the reduced amount of State Aid payments in FY14.
- County support for the Regional Office of Education #26 increased from \$85,079 in FY13 to \$102,272 in FY14.

Proprietary Fund Highlights

Revenues for proprietary funds were \$962,494 and expenses were \$854,227 in FY14. As discussed above under Business-Type Activities, revenue increased from FY13, and expenses decreased slightly.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Budgetary Highlights

The Office annually adopts a budget on a basis consistent with U.S. generally accepted accounting principles when required by the granting agency. The Illinois State Board of Education reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the Illinois State Board of Education for final approval. The budget may be amended during the year utilizing procedures prescribed by the Illinois State Board of Education. Schedules showing the budget amounts compared to the Office's actual financial activity are included in supplementary information of this report.

Capital Assets

The value of capital assets increased during FY14 due to asset additions exceeding depreciation. New asset additions totaled \$35,088 in FY14, and depreciation expense totaled \$30,775.

Economic Factors and Next Year's Budget

At the time these financial statements were prepared and audited, the Regional Office of Education #26 was aware of several existing circumstances that could affect its financial condition in the future:

- The State of Illinois passed Public Act 97-0703 to reduce the number of Regional Offices of Education by nine. The Regional Office of Education #26 was on the list of Regional Offices recommended to be realigned. The Regional Offices of Education #26 and #22, also on the realignment list, agreed to merge, and the affected counties passed resolutions to permit the merger. This consolidation will take effect July 1, 2015. The financial effect of these realignments will not take effect until FY16.
- With the State of Illinois in the midst of an unprecedented financial crisis, the status of grant funding for the upcoming fiscal year is bleak at best. We are anticipating drastic cuts for many of our programs.
- The County Boards of Hancock and McDonough Counties have increased their funding slightly to our office.
- The Child and Family Connections Grant anticipates an increase in funding.
- The Regional Office of Education is required to maintain a high level of liability insurance, which increases in cost yearly.
- As costs for consumers rise (energy, maintenance, etc.), there will be increasing demands for employees to have raises that match or exceed past practices. These will be difficult to honor as both counties encompassed by Regional Office of Education #26 are burdened with considerable financial challenges.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the Regional Office's citizens, taxpayers, clients, and other constituents with a general overview of its finances and 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 Regional Office of Education #26, 130 South Lafayette Street, Suite 200, Macomb, IL 61455.

BASIC FINANCIAL STATEMENTS

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 714,414	\$ 38,348	\$ 752,762
Accounts receivable	-	6,212	6,212
Due from other governments:			
Local	16,155	261,502	277,657
State	131,082	-	131,082
Federal	98,510	-	98,510
Inventory	-	139,623	139,623
Prepaid expenses	10,577	-	10,577
Total Current Assets	970,738	445,685	1,416,423
Noncurrent Assets:			
Capital assets, being depreciated, net	60,270	62,434	122,704
TOTAL ASSETS	1,031,008	508,119	1,539,127
LIABILITIES			
Current Liabilities:			
Accounts payable	96,540	381,317	477,857
Accrued expenses	87,231	-	87,231
Due to other governments:			
Local	109	139,623	139,732
Federal	6,145	-	6,145
Unearned revenue	98,109	-	98,109
TOTAL LIABILITIES	288,134	520,940	809,074
NET POSITION			
Invested in capital assets	60,270	62,434	122,704
Restricted for educational purposes	43,582	-	43,582
Unrestricted	639,022	(75,255)	563,767
TOTAL NET POSITION	\$ 742,874	\$ (12,821)	\$ 730,053

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

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instructional Services						
Salaries and benefits	\$ 1,611,818	\$ -	\$ 1,250,388	\$ (361,430)	\$ -	\$ (361,430)
Purchased services	391,861	-	201,807	(190,054)	-	(190,054)
Supplies and materials	54,252	-	48,472	(5,780)	-	(5,780)
Other objects	4,278	-	-	(4,278)	-	(4,278)
Depreciation expense	26,766	-	-	(26,766)	-	(26,766)
Capital outlay	-	-	10,188	10,188	-	10,188
Payments to other governments	207,944	-	202,630	(5,314)	-	(5,314)
Administrative:						
On-behalf payments - State	431,843	-	-	(431,843)	-	(431,843)
Total Governmental Activities	<u>2,728,762</u>	<u>-</u>	<u>1,713,485</u>	<u>(1,015,277)</u>	<u>-</u>	<u>(1,015,277)</u>
Business-Type Activities:						
Fees for services	854,227	962,494	-	-	108,267	108,267
Total Business-Type Activities	<u>854,227</u>	<u>962,494</u>	<u>-</u>	<u>-</u>	<u>108,267</u>	<u>108,267</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 3,582,989</u>	<u>\$ 962,494</u>	<u>\$ 1,713,485</u>	<u>(1,015,277)</u>	<u>108,267</u>	<u>(907,010)</u>
GENERAL REVENUES:						
Local sources				189,611	-	189,611
State sources				205,894	-	205,894
On-behalf payments - State				431,843	-	431,843
Investment income				3	242	245
Total general revenues and transfers				<u>827,351</u>	<u>242</u>	<u>827,593</u>
CHANGE IN NET POSITION				(187,926)	108,509	(79,417)
NET POSITION (DEFICIT) - BEGINNING				<u>930,800</u>	<u>(121,330)</u>	<u>809,470</u>
NET POSITION (DEFICIT)- ENDING				<u>\$ 742,874</u>	<u>\$ (12,821)</u>	<u>\$ 730,053</u>

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

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Education Fund	Nonmajor Special Revenue Funds	Eliminations	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 499,187	\$ 170,229	\$ 44,998	\$ -	\$ 714,414
Due from other funds	212,580	7,801	-	(220,381)	-
Due from other governments:					
Local	16,155	-	-	-	16,155
State	-	131,082	-	-	131,082
Federal	-	98,510	-	-	98,510
Prepaid expenses	10,577	-	-	-	10,577
TOTAL ASSETS	\$ 738,499	\$ 407,622	\$ 44,998	\$ (220,381)	\$ 970,738
LIABILITIES					
Accounts payable	\$ 13,589	\$ 81,875	\$ 1,076	\$ -	\$ 96,540
Accrued expenses	32,614	54,617	-	-	87,231
Due to other funds	53,274	166,152	955	(220,381)	-
Due to other governments:					
Local	-	109	-	-	109
Federal	-	6,145	-	-	6,145
Unearned revenue	-	98,109	-	-	98,109
Total Liabilities	99,477	407,007	2,031	(220,381)	288,134
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	36,546	-	-	36,546
FUND BALANCE (DEFICIT)					
Nonspendable	10,577	-	-	-	10,577
Restricted	-	15,882	43,922	-	59,804
Unassigned	628,445	(51,813)	(955)	-	575,677
Total Fund Balance (Deficit)	639,022	(35,931)	42,967	-	646,058
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE (DEFICIT)	\$ 738,499	\$ 407,622	\$ 44,998	\$ (220,381)	\$ 970,738

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

HANCOCK/MCDONOUGH COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 GOVERNMENTAL FUNDS
 JUNE 30, 2014

TOTAL FUND BALANCE — GOVERNMENTAL FUNDS	\$ 646,058
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	60,270
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Some revenues will not be collected for several months after the Regional Office fiscal year ends; they are therefore not considered "available" revenues and are deferred inflows of resources in the governmental funds.	
Current year unavailable revenue	36,546

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 742,874</u>
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The notes to the financial statements are an integral part of this statement.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Education Fund	Nonmajor Special Revenue Funds	Eliminations	Total Governmental Funds
REVENUES					
Local sources	\$ 146,684	\$ 28,974	\$ 13,953	\$ -	\$ 189,611
State sources	190,581	1,377,319	764	-	1,568,664
On-behalf payments - State	431,843	-	-	-	431,843
Federal sources	38,272	327,280	-	-	365,552
Total Revenues	<u>807,380</u>	<u>1,733,573</u>	<u>14,717</u>	<u>-</u>	<u>2,555,670</u>
EXPENDITURES					
Instructional Services:					
Salaries and benefits	320,720	1,283,178	7,920	-	1,611,818
Purchased services	171,456	205,750	14,655	-	391,861
Supplies and materials	4,509	49,672	71	-	54,252
Other objects	4,278	-	-	-	4,278
Payments to other governments	-	207,944	-	-	207,944
On-behalf payments	431,843	-	-	-	431,843
Capital outlay	8,068	2,120	-	-	10,188
Total Expenditures	<u>940,874</u>	<u>1,748,664</u>	<u>22,646</u>	<u>-</u>	<u>2,712,184</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	<u>(133,494)</u>	<u>(15,091)</u>	<u>(7,929)</u>	<u>-</u>	<u>(156,514)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	1,283	19,165	-	(20,448)	-
Transfers out	(20,448)	-	-	20,448	-
Interest	-	-	3	-	3
Total Other Financing Sources (Uses)	<u>(19,165)</u>	<u>19,165</u>	<u>3</u>	<u>-</u>	<u>3</u>
NET CHANGE IN FUND BALANCE	(152,659)	4,074	(7,926)	-	(156,511)
FUND BALANCE (DEFICIT) - BEGINNING	<u>791,681</u>	<u>(40,005)</u>	<u>50,893</u>	<u>-</u>	<u>802,569</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ 639,022</u>	<u>\$ (35,931)</u>	<u>\$ 42,967</u>	<u>\$ -</u>	<u>\$ 646,058</u>

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

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

NET CHANGE IN FUND BALANCE — GOVERNMENTAL FUNDS \$ (156,511)

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

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

Capital outlay	\$ 10,188	
Depreciation expense	(26,766)	(16,578)

Some revenues will not be collected for several months after the Regional Office fiscal year ends; they are considered "unavailable" revenues and are deferred inflows of resources in the governmental funds.

Prior year unavailable revenue	(51,383)	
Current year unavailable revenue	36,546	(14,837)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (187,926)

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
STATEMENT OF NET POSITION (DEFICIT)
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		
	Western Area Purchasing Co-op	Nonmajor Enterprise Funds	Total
	ASSETS		
Current Assets			
Cash and cash equivalents	\$ 13,758	\$ 24,590	\$ 38,348
Accounts receivable	-	6,212	6,212
Due from other governments:			
Local	261,502	-	261,502
Inventory	139,623	-	139,623
Total current assets	414,883	30,802	445,685
Noncurrent assets:			
Capital assets, being depreciated, net	58,650	3,784	62,434
TOTAL ASSETS	473,533	34,586	508,119
LIABILITIES			
Due to other governments	139,623	-	139,623
Accounts payable	379,301	2,016	381,317
TOTAL LIABILITIES	518,924	2,016	520,940
NET POSITION (DEFICIT)			
Investment in capital assets	58,650	3,784	62,434
Unrestricted	(104,041)	28,786	(75,255)
TOTAL NET POSITION (DEFICIT)	\$ (45,391)	\$ 32,570	\$ (12,821)

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

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION (DEFICIT)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		
	Western Area Purchasing Co-op	Nonmajor Enterprise Funds	Total
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES			
Fees for services	\$ 891,920	\$ 45,674	\$ 937,594
State revenue	24,900	-	24,900
Total Operating Revenues	<u>916,820</u>	<u>45,674</u>	<u>962,494</u>
OPERATING EXPENSES			
Salaries and benefits	35,711	-	35,711
Purchased services	14,242	32,724	46,966
Supplies and materials	767,541	-	767,541
Depreciation	1,250	2,759	4,009
Total Operating Expenses	<u>818,744</u>	<u>35,483</u>	<u>854,227</u>
OPERATING INCOME (LOSS)	<u>98,076</u>	<u>10,191</u>	<u>108,267</u>
NONOPERATING REVENUE			
Interest	242	-	242
Total Nonoperating Revenue	<u>242</u>	<u>-</u>	<u>242</u>
CHANGE IN NET POSITION	98,318	10,191	108,509
TOTAL NET POSITION (DEFICIT) - BEGINNING	<u>(143,709)</u>	<u>22,379</u>	<u>(121,330)</u>
TOTAL NET POSITION (DEFICIT) - ENDING	<u>\$ (45,391)</u>	<u>\$ 32,570</u>	<u>\$ (12,821)</u>

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

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		Totals
	Western Area Purchasing Co-op	Nonmajor Enterprise Funds	
Cash Flows from Operating Activities:			
Receipts from customers	\$ 775,010	\$ 39,462	\$ 814,472
Payments to suppliers and providers of goods and services	(713,461)	(33,370)	(746,831)
Payments to employees	(35,711)	-	(35,711)
Net Cash Provided by (Used for) Operating Activities	<u>25,838</u>	<u>6,092</u>	<u>31,930</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(24,900)	-	(24,900)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(24,900)</u>	<u>-</u>	<u>(24,900)</u>
Cash Flows from Investing Activities:			
Interest received	242	-	242
Net Cash Provided by (Used for) Investing Activities	<u>242</u>	<u>-</u>	<u>242</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,180	6,092	7,272
Cash and cash equivalents - Beginning	<u>12,578</u>	<u>18,498</u>	<u>31,076</u>
Cash and cash equivalents - Ending	<u>\$ 13,758</u>	<u>\$ 24,590</u>	<u>\$ 38,348</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ 98,076	\$ 10,191	\$ 108,267
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	1,250	2,759	4,009
(Increase)/decrease in assets:			
Increase in accounts receivable	-	(6,212)	(6,212)
Increase in due from other governments	(141,810)	-	(141,810)
Decrease in inventory	52,435	-	52,435
Increase/(decrease) in liabilities:			
Increase in accounts payable	68,786	(646)	68,140
Decrease in due to other funds	(464)	-	(464)
Decrease in due to other governments	(52,435)	-	(52,435)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 25,838</u>	<u>\$ 6,092</u>	<u>\$ 31,930</u>

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

HANCOCK/MCDONOUGH COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 163,551
Due from other governments	<u>1,264,332</u>
TOTAL ASSETS	<u><u>\$ 1,427,883</u></u>
 LIABILITIES	
Due to other governments	<u>\$ 1,427,883</u>
TOTAL LIABILITIES	<u><u>\$ 1,427,883</u></u>

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

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Hancock/McDonough Counties Regional Office of Education #26 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

In 2014, the Regional Office of Education #26 implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement No. 66, *Technical Corrections – 2012 - an amendment of GASB Statements No. 10 and No. 62*; GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*; and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The Regional Office of Education #26 implemented these standards during the current year; however, GASB Statement No. 70 had no impact on the financial statements. The implementation of GASB Statement No. 65 reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB Statement No. 66 resolved conflicting guidance that resulted from the issuance of GASB Statement Nos. 54 and 62 regarding risk financing activities, operating leases, purchased loans, and servicing fees. The implementation of GASB Statement No. 67 improved financial reporting by state and local governmental pension plans.

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

A. DATE OF MANAGEMENT'S REVIEW

The Regional Office of Education #26 has evaluated subsequent events through June 15, 2015, the date when the financial statements were available to be issued.

B. FINANCIAL REPORTING ENTITY

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

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FINANCIAL REPORTING ENTITY (Concluded)

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education #26's districts; providing township treasurers with a list of district treasurers; inspecting and approving building plans which comply with State law; performing and reporting on annual building inspections; investigating bus drivers for valid bus driver permits and taking related action as may be required; maintaining a list of unfilled teaching positions; and carrying out other related duties required or permitted by law.

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

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

For the period ended June 30, 2014, the Regional Office of Education #26 applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in Hancock/McDonough Counties Regional Office of Education #26. Such activities are reported as a single special revenue fund (Education Fund).

C. SCOPE OF THE REPORTING ENTITY

The Regional Office of Education #26 reporting entity includes all related organizations for which they exercise oversight responsibility.

The Regional Office of Education #26 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the Regional Office of Education #26, including districts or joint agreements which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the Regional Office of Education #26 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 blended component unit described below is included in the Regional Office of Education #26's reporting entity because of the significance of its operational or financial relationship with the Regional Office of Education #26.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SCOPE OF THE REPORTING ENTITY (Concluded)

Western Area Purchasing Co-op is a joint agreement used to reduce costs to school districts by purchasing various supplies in larger quantities. School districts in west central Illinois place orders with the co-op, which accumulates the orders and purchases large quantities for distribution to the districts. The purchasing co-op is a discretionary enterprise fund.

Other districts and joint agreements have been determined not to be a part of the reporting entity after applying the criteria of manifestation of oversight, scope of public service, and special financing relationships and are therefore excluded from the accompanying financial statements because the Regional Office of Education #26 does not control their assets, operations, or management. In addition, the Regional Office of Education #26 is not aware of any entity that would exercise such oversight as to result in the Regional Office of Education #26 being considered a component unit of any other entity.

D. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Regional Office of Education #26's activities, with most of the interfund activities removed. Governmental activities include programs supported primarily by State and federal grants and other intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Regional Office of Education #26 has three business-type activities that rely on fees and charges for support.

The Regional Office of Education #26's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Regional Office of Education #26 accompanied by a total column. These statements are presented on an "economic resources" measurement as prescribed by GASB Statement No. 34. All of the Regional Office of Education #26's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges for services, and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and reported in a single column.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Concluded)

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, such as payables, receivables, and transfers. Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position. All interfund transactions between governmental funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and business-type funds remain as due to/due from on the government-wide financial statements.

All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities. In the Statement of Activities, activities between governmental funds have been eliminated; however, transactions between governmental and business-type activities have not been eliminated.

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

E. GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

The governmental fund financial statements have been prepared in accordance with generally accepted accounting principles on the modified accrual basis. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. *Available* means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues received more than 60 days after the end of the current period are deferred inflows of resources in the governmental fund financial statements but are recognized as current revenues in the government-wide financial statements. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for long-term obligations, which are recognized when paid.

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

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. PROPRIETARY FUND FINANCIAL STATEMENTS

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

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

G. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

The governmental funds’ financial statements focus on the measurement of spending, or “financial flow,” and the determination of changes in financial position, rather than upon net income determination. This means that only current assets (including deferred outflows of resources) and current liabilities (including deferred inflows of resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Regional Office of Education #26; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Concluded)

Under the terms of grant agreements, the Regional Office of Education #26 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funding resources available to finance the program. It is the Regional Office of Education #26's policy to first apply restricted funds to such programs, and then unrestricted funds. For unrestricted fund balance, committed funds are used first, then assigned funds, then unassigned funds if any.

H. FUND ACCOUNTING

The Regional Office of Education #26 uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Regional Office of Education #26 uses governmental, proprietary, and fiduciary funds.

GOVERNMENTAL FUNDS

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

As prescribed by GASB Statement No. 34, governmental fund reporting focuses on the major funds, rather than on the fund type. There is a two-step process for determining if a fund should be reported as a major fund: (1) total assets (including deferred outflows), liabilities (including deferred inflows), revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for the fund type, and (2) total assets (including deferred outflows), liabilities (including deferred inflows), revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for all governmental and proprietary funds combined. Funds that do not meet the major fund determination requirements are reported in aggregate as nonmajor funds. The Regional Office of Education #26 has presented all major funds that met the above qualifications. The Regional Office of Education #26 reports the following major governmental funds:

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

General Fund – The General Fund is used to account for all financial resources that benefit all school districts in the Region except for those required to be accounted and reported for in other funds. The General Fund accounts include the following:

County – Used to account for funds provided by the Boards of Hancock and McDonough Counties for general office operation and maintenance.

Office Administration – Accounts for indirect costs of operating programs.

Regional Programs – Accounts for the cost of operating certain programs not paid for through special revenues or County funds.

Directory – Funded by contributions from local school districts to prepare a regional directory.

Interest – Used to account for interest earned on the Distributive Fund for the mutual benefit of each school district in Hancock and McDonough Counties.

Hancock McDonough Alternative Schools – Used to account for State revenues and expenditures paid to provide an alternative education program in Hancock and McDonough Counties.

Apex – Used to account for local fees associated with the Regional Office’s Apex project, which provides Hancock McDonough Alternative Schools students with access to online curricula.

Online Clearing – Accounts for revenue from online payments for the Institute, GED, Bus Driver, and other special revenue funds using the new State online payment system.

Major Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources (other than fiduciary or major capital projects) that are restricted to expenditures for specified purposes. Major special revenue funds include the following:

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

Major Special Revenue Funds (Continued)

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

Adult Learning Resource Center – Used to account for the Regional Office’s subcontract with Schaumburg CUSD #54’s McKinney Education for Homeless Grant.

Child and Family Connections (Special Education—Grants for Infants and Families) – Used to account for a contractual agreement with the Illinois Department of Human Services to provide a caseworker for the purpose of monitoring teen parents receiving Aid to Dependent Children.

Early Childhood and Early Childhood Block Grants – Used to account for State grant proceeds for the Early Childhood Education Block Grants.

Family Literacy – Used to account for assistance provided to reading programs.

Family Violence – Used to account for State and federal grant proceeds to support the activities of the local Family Violence Coordinating Council. The purpose of the Family Violence Coordinating Councils, at both the state and local/circuit level, is to establish a forum to improve the institutional, professional, and community response to family violence including child abuse, domestic abuse, and elder abuse; to engage in education and prevention; the coordination of intervention and services for victims and perpetrators; and to contribute to the improvement of the legal system and the administration of justice.

Hearing/Vision Screening – Used to account for a hearing screenings program funded through the Illinois Department of Public Aid.

Local Donations – Used to account for donations given to assist the McKinney Education for Homeless Children Grant and the Child and Family Connections Grant.

McKinney Education for Homeless Children – Used to account for the McKinney Education for Homeless Children Grant, a program to facilitate the enrollment, attendance, and success of homeless youths in school.

Pioneer Grant – Used to promote mathematics and science in the Macomb area.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

Major Special Revenue Funds (Continued)

Education Fund (Continued)

Regional Safe Schools – Used to account for an alternative schools program of centralized instructional programs for students with specialized needs.

Regional System Provider/Federal System – Used to account for federal revenues to support a regionalized system of support to assist schools in academic difficulty.

ROE Technology Maintenance – Used to account for revenues and expenditures of the ISBE Technology Maintenance grant program.

Teen Court Donations – Used to account for donations received for the completion of a handicapped-accessible deck located in the Teen Court Community Garden.

Teen Court Fines – Used to account for donations from fines in McDonough County to support a program in which teens participate in community service held in the Teen Court Community Garden.

Title I – School Improvement & Accountability – The Illinois State Board of Education Quality Assurance Process consists of an external visit to audit each school every few years and an internal review that each school must conduct annually. The Regional Office of Education #26 is charged with supporting and guiding schools through this complex school improvement process so that teaching and learning improve every year.

Title II – Teacher Leadership – This program accounts for the purchasing of evaluation training for teachers and evaluator training for principals through Growth Through Learning Illinois.

Title II – Teacher Quality – Used to account for funding to increase student achievement by elevating teacher and principal quality through recruitment, hiring, and retention strategies and to hold local education agencies and schools accountable for improvements in student academic achievement.

Title IV – Safe and Drug Free Formula – Used to account for a regional, multi-district program on drug and alcohol abuser education and prevention for students throughout all grade levels (pre-K through 12).

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Concluded)

Major Special Revenue Funds (Concluded)

Education Fund (Concluded)

Truants Alternative Optional Education – Used to account for State grant revenues and expenditures to provide tutoring services and to encourage students to stay in school.

Truants Alternative Optional Education Program Training – Used to account for State grant proceeds expended to train individuals in Truants Alternative Education.

United Way – Used to account for funding from local United Way for child birth classes and materials.

WC4 (ROE/ISC Operations) – Used to develop and implement a regional improvement plan.

The Regional Office of Education #26 reports the following nonmajor governmental funds:

General Education Development (GED) – Used to account for fees and expenditures incidental to administering the high school equivalency testing program.

Bus Driver Training – Used to account for fees and expenditures incidental to conducting courses of instruction for school bus drivers pursuant to the standards established by the Illinois Secretary of State.

Institute – Used to account for examination, registration, and renewal fees and to defray expenses incidental to teachers' institutes, workshops and professional meetings.

PROPRIETARY FUNDS

Proprietary Funds – Proprietary funds account for revenue and expenses related to services provided to organizations inside the Region on a cost-reimbursement basis. The Regional Office of Education #26 reports the following major proprietary fund:

Western Area Purchasing Co-op – A joint agreement used to reduce costs to school districts by purchasing various supplies in larger quantities. School districts in west central Illinois place orders with the Co-op, which accumulates the orders and purchases large quantities for distribution to the districts. As noted previously, the Purchasing Co-op is a discretionary enterprise fund.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

PROPRIETARY FUNDS (Concluded)

The Regional Office of Education #26 reports the following nonmajor proprietary funds:

Workshop Fund – Accounts for all activity for workshops managed by the Regional Office.

Fingerprinting Fund – Accounts for the activity for fingerprinting services.

FIDUCIARY FUNDS

Agency Funds – Fiduciary funds account for assets held by the Regional Office of Education #26 in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds include the following:

Administrators Roundtable – This fund accounts for the activities of a group of area educational administrators partnering with Western Illinois University's Education Leadership Department. Monies are used to enhance district resources by providing an opportunity for administrators to receive and discuss information related to significant issues in the State and Region.

Area III Superintendents – Accounts for collective activities of all the Area III regional superintendents. Membership fees are used to provide meetings and seminars for disseminating current information on administration issues.

Hancock County Principals – Accounts for collective activities of all the Hancock County school principals. Fees are used to provide meetings and seminars for disseminating current information on administration issues.

Regional Board of School Trustees – Accounts for the marketing and disposal of school properties belonging to local education agencies and for expenses related to detachment petitions.

Western Area Career System (WACS) – This system is housed within the Regional Office of Education #26's office and shares the same phone system, copier, etc. The Regional Office of Education records the WACS' phone and copier usage and appropriately charges WACS monthly for the usage.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Concluded)

FIDUCIARY FUNDS (Concluded)

Distributive Fund – The resources in this fund are received by and passed through the Regional Office from the State to their owners. Entities whose resources are received by and passed through the Distributive Fund include the Western Area Career System, West Central Illinois Special Ed, and the Regional Office of Education #26.

I. GOVERNMENTAL FUND BALANCES

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

Nonspendable Fund Balance – The portion of a governmental fund’s net position that is not available to be spent, either short term or long term, due to either its form or legal restrictions. The Regional Office of Education #26’s nonspendable fund balance consists of prepaid expenses in the Regional Programs, Hancock McDonough Alternative Schools, and Apex accounts of the General Fund.

Restricted Fund Balance – The portion of a governmental fund’s net position that is subject to external enforceable legal restrictions. The following Education Fund accounts’ fund balances are restricted by donor restrictions, grant agreements, or contracts: Family Literacy, Family Violence, Hearing/Vision Screening, Local Donations, ROE Technology Maintenance, Teen Court Donations, Title IV - Safe and Drug Free Formula, and United Way. The following funds are restricted by Illinois Statute: Bus Driver Training and Institute Funds.

Committed Fund Balance – The portion of a governmental fund’s net position with self-imposed constraints or limitations that have been placed at the highest level of decision making. The Regional Office of Education #26 has no committed fund balances.

Assigned Fund Balance – The portion of a governmental fund’s net position for which an intended use of resources has been denoted. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The Regional Office of Education #26 has no assigned fund balances.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. GOVERNMENTAL FUND BALANCES (Concluded)

Unassigned Fund Balance – Available expendable financial resources in a governmental fund that are not designated for a specific purpose. The Regional Office of Education #26 has unassigned fund balances in the following General Fund accounts: County, Regional Programs, Directory, Interest, Hancock McDonough Alternative Schools, Apex, and Online Clearing. The Regional Office of Education #26 has an unassigned fund balance in the following Education Fund account: McKinney Education for Homeless Children. The Regional Office of Education #26 has an unassigned fund balance in the following nonmajor special revenue fund: General Education Development.

J. NET POSITION

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

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

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

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

K. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on deposit and invested in money market accounts. The Regional Office of Education #26 considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

L. INVENTORY

Inventories are carried at the lower of cost or market, cost being determined on the first-in, first-out (FIFO) method.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. CAPITAL ASSETS

Capital assets, which include buildings, software, and furniture and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets purchased or acquired with an original cost of \$500 or more with a useful life of greater than one year are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation is computed using the straight-line method over the following estimated useful lives: software over 3 years, furniture and equipment over 5 years, and buildings over 40 years.

N. COMPENSATED ABSENCES

The eligible employees of the Regional Office earn vacation days based on the number of full-time years worked as follows: 10 days for full-time staff employed less than 5 years, 15 days for full-time staff employed between 5 and 14 years, and 20 days for full-time staff employed 15 years or more. An employee may accumulate up to the number of vacation days earned in two years before accrual ceases. On termination, any accumulated vacation is treated as unused sick leave when calculating length of service for pension purposes, if applicable, but is not paid. The Regional Office of Education #26 has accrued a liability of \$27,001 for vacation pay earned but unused as of June 30, 2014.

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

Eligible employees receive up to 12 sick days annually. A maximum of 240 days of sick leave may be accumulated by permanent full-time employees, but no payment is made for unused sick leave when a person leaves his or her position. Therefore, no liability for unused sick leave is accrued.

O. 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.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

P. BUDGET INFORMATION

The Regional Office of Education #26 acts as the administrative agent for certain grant programs that are accounted for in the General and Education Funds. Certain programs have separate budgets and are required to report to the Illinois State Board of Education; however, none of the annual budgets have been legally adopted, nor are they required to be. Comparisons of budgeted and actual results are presented as supplemental information. Budgetary comparison schedules have been provided in supplementary schedules for the following funds: Child and Family Connections, Early Childhood Grant, Early Childhood Block Grant, Family Violence, McKinney Education for Homeless Children, Regional Safe Schools, Title I – School Improvement & Accountability, Title II – Teacher Leadership, Title II – Teacher Quality, Truants Alternative Optional Education, Truants Alternative Optional Education Program Training, and WC4 (ROE/ISC Operations).

Q. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

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

NOTE 2 – DEPOSITS AND INVESTMENTS

The *Illinois Compiled Statutes* authorize the Regional Office of Education #26 to make deposits and invest in U.S. Government, State of Illinois, and municipal securities; certificates of deposit or time savings deposits insured by the FDIC; mortgage notes, bonds, or debentures issued by the Federal Housing Administration; bonds and other obligations of the Federal National Mortgage Association; commercial paper rated within the three highest classifications by at least two standard rating services; credit union shares; and the Illinois Funds.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 – DEPOSITS AND INVESTMENTS (Concluded)

A. DEPOSITS

At June 30, 2014, the carrying amount of the Regional Office of Education #26's government-wide and agency fund deposits were \$752,762 and \$163,551, respectively, and the bank balances were \$1,035,751 and \$255,155, respectively. Of the total bank balances as of June 30, 2014, \$250,618 was secured by federal depository insurance, \$1,017,340 was collateralized by securities pledged by the Regional Office of Education #26's financial institution on behalf of the Regional Office, and \$22,948 was invested in the Illinois Funds Money Market Fund.

B. INVESTMENTS

The Regional Office of Education #26 does not have a formal investment policy but requires that funds be invested solely in investments authorized by the Public Funds Investment Act, 30 ILCS 235/2. The Regional Office of Education #26's only investments are internally pooled in the Illinois Funds Money Market Fund. As of June 30, 2014, the Regional Office of Education #26 had investments with carrying value of \$22,948 in the Illinois Funds Money Market Fund.

CREDIT RISK

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

INTEREST RATE RISK

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

CONCENTRATION OF CREDIT RISK

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

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 – DEFINED BENEFIT PENSION PLAN

Plan Description. The Regional Office of Education #26’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 #26’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 (RSI). That report may be obtained online at www.imrf.org.

Funding Policy. As set by statute, the Regional Office of Education #26’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 2013 was 13.48 percent. The Regional Office of Education #26 also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. The required contribution for calendar year 2013 was \$94,168.

THREE-YEAR TREND INFORMATION FOR THE REGULAR PLAN

Calendar Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12/31/13	\$94,168	100%	\$0
12/31/12	75,316	100%	0
12/31/11	93,322	100%	0

The required contribution for 2013 was determined as part of the December 31, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the Regional Office of Education #26’s Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Regional Office of Education #26’s Regular plan’s unfunded actuarial accrued liability at December 31, 2011, is being amortized as a level percentage of projected payroll on an open 10-year basis.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Concluded)

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the Regular plan was 87.49 percent funded. The actuarial accrued liability for benefits was \$1,946,585 and the actuarial value of assets was \$1,703,024, resulting in an underfunded actuarial accrued liability (UAAL) of \$243,561. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$698,578 and the ratio of the UAAL to the covered payroll was 35 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.

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

The Regional Office of Education #26 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 licensure is required. The active member contribution rate for the year ended June 30, 2014, 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, 2013 and 2012.

The State of Illinois makes contributions directly to TRS on behalf of the Regional Office of Education #26’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 #26. For the year ended June 30, 2014, State of Illinois contributions were based on 35.41 percent of creditable earnings not paid from federal funds, and the Regional Office of Education #26 recognized revenue and expenditures of \$208,884 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2013 and June 30, 2012, the contribution rates were 28.05 percent (\$162,576) and 24.91 percent (\$144,234), respectively.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

The Regional Office of Education #26 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, 2014, were \$2,503. Contributions for the years ending June 30, 2013, and June 30, 2012, were \$2,617 and \$2,937, respectively.

Federal and special trust fund contributions. When TRS members are paid from federal and special trust funds administered by the Regional Office of Education #26, there is a statutory requirement for the Regional Office of Education #26 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since 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. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2014, the employer pension contribution was 35.41 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2013 and 2012, the employer contribution was 28.05 and 24.91 percent, respectively. For the year ended June 30, 2014, salaries totaling \$36,810 were paid from federal and special trust funds that required employer contributions of \$13,034. For the years ended June 30, 2013, and June 30, 2012, required employer contributions were \$17,689 and \$24,047, respectively.

Early Retirement Option (ERO). The Regional Office of Education #26 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 146.5 percent and applies when the member is age 55 at retirement.

For the year ended June 30, 2014, the Regional Office of Education #26 paid no employer contributions to TRS under the ERO program. For the years ended June 30, 2013, and June 30, 2012, the Regional Office of Education #26 paid no employer ERO contributions.

Salary increases over 6 percent and excess sick leave. If the Regional Office of Education #26 grants salary increases over 6 percent and those salaries are used to calculate a retiree’s final average salary, the Regional Office of Education #26 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 increase of up to 6 percent.

For the years ended June 30, 2014, 2013, and 2012, the Regional Office of Education #26 paid no employer contributions to TRS for salary increases in excess of 6 percent.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Concluded)

If the Regional Office of Education #26 grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the Regional Office 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 #26 during the four-year sick leave review period, and the TRS total normal cost rate (17.29 percent of salary during the year ended June 30, 2014).

For the years ended June 30, 2014, 2013, and 2012, the Regional Office of Education #26 paid no employer contributions to TRS for sick leave days granted in the excess of the normal annual allotment.

Further information on TRS. TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and State funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for year ended June 30, 2013. The report for the year ended June 30, 2014, is expected to be available in late 2014.

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

NOTE 5 – TEACHERS’ HEALTH INSURANCE SECURITY FUND

The Regional Office of Education #26 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers’ Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the State-administered participating provider option plan or choose from several managed care options. Beginning February 1, 2014, annuitants who were enrolled in Medicare Parts A and B may be eligible to enroll in Medicare Advantage plans.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of the 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 the 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.

HANCOCK/MCDONOUGH COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE 5 – TEACHERS’ HEALTH INSURANCE SECURITY FUND (Concluded)

On-behalf contributions to THIS Fund. The State of Illinois makes employer retiree health insurance contributions on behalf of the Regional Office of Education #26. State contributions are intended to match contributions to the THIS Fund from active members which were 0.97 percent of pay during the year ended June 30, 2014. State of Illinois contributions were \$4,186, and the Regional Office of Education #26 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2013, and June 30, 2012, were 0.92 and 0.88 percent of pay, respectively. State contributions on behalf of Regional Office of Education #26’s employees were \$4,152 and \$4,456, respectively.

Employer contributions to the THIS Fund. The Regional Office of Education #26 also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.72 percent during the year ended June 30, 2014, and 0.69 and 0.66 percent during the years ended June 30, 2013, and June 30, 2012, respectively. For the year ended June 30, 2014, the Regional Office of Education #26 paid \$3,107 to the THIS Fund. For the years ended June 30, 2013, and June 30, 2012, the Regional Office of Education #26 paid \$3,114 and \$3,342, respectively, which was 100 percent of the required contribution.

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

NOTE 6 – INTERFUND ACTIVITY

DUE TO/FROM OTHER FUNDS

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

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds		
Education Fund	\$ 7,801	\$ 166,152
General Fund	212,580	53,274
General Education Development Fund	-	955
	<u>\$ 220,381</u>	<u>\$ 220,381</u>
Total	<u>\$ 220,381</u>	<u>\$ 220,381</u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 – INTERFUND ACTIVITY (Concluded)

TRANSFERS

Interfund transfers in/out to other funds at June 30, 2014, consist of the following individual transfers in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The transfer balances between governmental funds were eliminated in the government-wide Statement of Activities.

Fund	Transfer In	Transfer Out
General Fund:		
Office Administration	\$ -	\$ 1,283
Regional Programs	1,283	-
Hancock McDonough Alternative Schools	-	19,165
Education Fund:		
Pioneer Grant	5,050	-
Regional Safe Schools	14,024	-
WC4 (ROE/ISC Operations)	91	-
	<u>\$ 20,448</u>	<u>\$ 20,448</u>

NOTE 7 – RISK MANAGEMENT

The Regional Office of Education #26 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Regional Office of Education #26 has purchased commercial insurance to cover these risks. No losses have been incurred in excess of the amounts covered by insurance over the past three years.

NOTE 8 – OPERATING LEASES

The Regional Office of Education #26 leases classroom and office space from various parties. During the fiscal year 2014, the Regional Office of Education #26 leased classroom and office space located at 553 Main Street, Carthage, Illinois, from individuals for \$850 per month. The lease term was August 1, 2012, to July 31, 2013. The lease was renewed for the period August 1, 2013, to July 31, 2014.

The Regional Office of Education #26 also leased classrooms and office space located at 1301 North Main Street, Suite 3, Monmouth, Illinois, from Standard of Beaverdale, Inc., for \$574.98 per month. An annual inflation adjustment of 3.0% per year is added each year, beginning in 2012. The lease term began on April 1, 2013, and ends on March 31, 2014. The lease was renewed for the period April 1, 2014 through March 31, 2015, at \$592.23 per month.

HANCOCK/MCDONOUGH COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE 8 – OPERATING LEASES (Concluded)

The Regional Office of Education #26 leases office space located on 341 S. Johnson Street, Macomb, Illinois, from Gamage Appliance for \$2,500 per month. The lease term is from July 1, 2013, to June 30, 2014.

The Regional Office of Education #26 had a lease agreement with the Macomb Public Building Commission from January 1, 2008, through December 31, 2012, for office space at 130 South Lafayette Street, Suite 200, Macomb, Illinois, for \$2,150 per month. The lease was renewed for the period January 1, 2013, through December 31, 2015.

The Regional Office leased office space located at 616 E. Polk, Cuba, Illinois, from the City of Cuba Community Center for \$200 per month. The lease ran from July 1, 2013, through June 30, 2014, with an option to renew yearly.

The Regional Office leased office space located at 500 Wabash, Carthage, Illinois, from the Carthage Library District for \$100 per month. This is a month-to-month lease that may be canceled with 30 days notice.

The future minimum lease payments under operating leases are as follows:

2015	\$	25,800
2016		12,900
2017 and thereafter		-
		\$ 38,700

Total lease expense for the year ended June 30, 2014, was \$76,552.

NOTE 9 – CAPITAL ASSET ACTIVITY

In accordance with GASB Statement No. 34, the Regional Office of Education #26 has reported capital assets in the government-wide Statement of Net Position. Purchases are reported as capital outlay in the governmental fund statements. Purchases of business-type activities are capitalized when purchased. The Regional Office’s assets consist of buildings, software, and equipment. The following table provides a summary of changes in total assets, accumulated depreciation, and investment in capital assets for the year ended June 30, 2014:

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 – CAPITAL ASSET ACTIVITY (Concluded)

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Governmental Activities:				
Software & equipment	\$ 139,943	\$ 10,188	\$ -	\$ 150,131
Governmental Activities Total Assets	139,943	10,188	-	150,131
Less Accumulated Depreciation	63,095	26,766	-	89,861
Governmental Activities				
Investment in Capital Assets, Net	<u>\$ 76,848</u>	<u>\$ (16,578)</u>	<u>\$ -</u>	<u>\$ 60,270</u>
Business-type Activities:				
Building	\$ 50,000	\$ 24,900	\$ -	\$ 74,900
Software & Equipment	14,861	-	-	14,861
Business-type Activities Total Assets	64,861	24,900	-	89,761
Less Accumulated Depreciation	23,318	4,009	-	27,327
Business-type Activities				
Investment in Capital Assets, Net	<u>\$ 41,543</u>	<u>\$ 20,891</u>	<u>\$ -</u>	<u>\$ 62,434</u>

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2014, of \$26,766 and \$4,009 was charged to the governmental activities – Instructional Services and the business-type activities, respectively, on the government-wide Statement of Activities. Investment in capital assets is the component of net position that reports capital assets net of accumulated depreciation.

NOTE 10 – DEFERRED INFLOWS OF RESOURCES

The governmental funds report a separate section for deferred inflows of resources. A deferred inflow of resources reflects an increase in net assets that applies to a future period. The Regional Office has only one type of item that is reported as a deferred inflow of resources. Grant revenues received more than 60 days after the end of the year, which are thus not available under the modified accrual basis of accounting, are reported as deferred inflows of resources in the governmental funds balance sheet. At June 30, 2014, the Regional Office of Education #26 had \$36,546 in deferred inflows.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11 – ON-BEHALF PAYMENTS

The State of Illinois paid the following salaries on behalf of the Regional Office of Education #26:

Regional Superintendent Salary	\$ 104,784
Assistant Regional Superintendents Salaries	90,390
Regional Superintendent Fringe Benefits (Includes State-paid insurance)	22,288
Assistant Regional Superintendents Fringe Benefits (Includes State-paid insurance)	1,311
TRS Pension Contributions	208,884
Teachers' Health Insurance Security (THIS) Fund Contributions	4,186
Total	<u>\$ 431,843</u>

NOTE 12 – DUE TO/FROM OTHER GOVERNMENTS

The Regional Office of Education #26's General Fund, Education Fund, Proprietary Funds, and Fiduciary Funds have funds due from/to various other governmental units which consist of the following:

Due from Other Governments:

General Fund

Local Governments \$ 16,155

Education Fund

Illinois State Board of Education 135,572

Illinois State Board of Education, passed through
local agencies 14,206

Department of Human Services 79,814

Proprietary Funds

Local Governments 261,502

Fiduciary Funds

Illinois State Board of Education 1,263,056

Local Governments 1,276

Total \$1,771,581

Due to Other Governments:

Education Fund

Illinois State Board of Education \$ 6,145

Local Governments 109

Proprietary Funds

Local Governments 139,623

Fiduciary Funds

Local Governments 1,427,883

Total \$1,573,760

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS

The Regional Office of Education #26 participates in the Western Area School Health Benefit Plan (“Plan”) as a member of the Western Area School Association (“Association”). The Plan is a cost-sharing, multiple-employer defined-benefit postemployment health care plan that was established by certain Illinois local governmental units constituting the Association pursuant to the Illinois Intergovernmental Cooperation Act, 5 ILCS 220/1 et seq., for the benefit of certain employees (and their dependents) of the members of the Association. The Plan is funded through the Western Area School Employee Benefits Trust (“Trust”) which is also controlled by the Association. The Association, Plan, and Trust together constitute a joint insurance pool under 5 ILCS 220/6. The Association is the Plan administrator of the Plan. The MidAmerica National Bank, N.A., is the trustee of the Trust.

The Plan provides medical, dental, vision, and prescription drug benefits to employees (and their dependents) of the members of the Association. Participants may elect several different subplans with different deductibles and out-of-pocket maximums. The benefits are determined by the Association and the Plan may be amended or terminated by the Association. Some benefits are required by the Illinois Insurance Code, 215 ILCS 5/1 et seq., and the federal Public Health Code, 42 USC 300gg et seq.

Contributions to the Plan and Trust are determined by the Association board in consultation with its actuary pursuant to the terms of the Plan and Trust as allowed by the Illinois Intergovernmental Cooperation Act. Association members are required to contribute funds as assessed by the Association board in accordance with the terms of the Trust.

The following contributions are required for the Regional Office of Education #26 for the Plan year 2014-2015:

	PREMIUMS			
	<u>Single</u>	<u>Employee + 1</u>	<u>Employee + 2</u>	<u>Employee + 3/more</u>
Medical & Rx				
\$1,000 Deductible Plan	\$ 678	\$ 1,509	\$ 1,522	\$ 1,639
\$2,000 Deductible Plan	657	1,339	1,345	1,443
\$3,000 HSA Plan	617	1,138	1,143	1,218
Dental (optional)	\$ 21	\$ 39	\$ 49	\$ 63
Vision (optional)	\$ 9	\$ 13	\$ 18	\$ 28
Basic Life Insurance & AD&D				
\$10,000 life plus AD&D	\$1.30 per employee per month			
Dependent Life Insurance				
\$5,000	\$2.98 per employee per month			
\$2,000	\$0.78 per employee per month			

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Of these contributions, the employees or former employees must pay:

For employee Medical & Rx and dental – 0% of the contributions
For dependent and vision coverage – 100% of the contributions

The following contributions were required for the Regional Office of Education #26 for the Plan year 2013-2014:

	PREMIUMS			
	Single	Employee + 1	Employee + 2	Employee + 3/more
Medical & Rx				
The following rates include the cost for major medical and Rx card.				
\$750** Deductible Plan	\$ 648	\$ 1,445	\$ 1,457	\$ 1,567
\$1,000 Deductible Plan	648	1,445	1,457	1,567
\$2,000 Deductible Plan	628	1,284	1,290	1,383
\$3,000** Deductible Plan	617	1,166	1,171	1,244
\$5,000** Deductible Plan	562	1,003	1,015	1,104
\$3,000 HSA Plan	591	1,096	1,100	1,171
**Discontinued deductible on 1/1/2014				
Dental (optional)	\$ 20	\$ 37	\$ 47	\$ 60
Vision (optional)	\$ 8	\$ 12	\$ 16	\$ 25
Basic Life Insurance & AD&D				
\$10,000 life plus AD&D	\$1.30 per employee per month			
Dependent Life Insurance				
\$5,000	\$2.98 per employee per month			
\$2,000	\$0.78 per employee per month			

Of these contributions, the employees or former employees must pay:

For employee Medical & Rx and dental – 0% of the contributions
For dependent and vision coverage – 100% of the contributions

The following contributions were required for the Regional Office of Education #26 for the Plan period 1/1/2013 – 9/30/2013:

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

	PREMIUMS			
	<u>Single</u>	<u>Employee + 1</u>	<u>Employee + 2</u>	<u>Employee + 3/more</u>
Medical & Rx				
The following rates include the cost for major medical and Rx card.				
\$750 Deductible Plan	\$ 612	\$ 1,407	\$ 1,422	\$ 1,540
\$1,000 Deductible Plan	591	1,292	1,303	1,401
\$2,000 Deductible Plan	572	1,149	1,155	1,237
\$3,000 Deductible Plan	562	1,081	1,085	1,153
\$5,000 Deductible Plan	511	930	941	1,023
\$3,000 HSA Plan	538	1,016	1,020	1,085
Dental (optional)	\$ 19	\$ 35	\$ 44	\$ 57
Vision (optional)	\$ 7	\$ 11	\$ 14	\$ 22
Basic Life Insurance & AD&D				
\$10,000 life plus AD&D	\$1.30 per employee per month			
Dependent Life Insurance				
\$5,000	\$2.98 per employee per month			
\$2,000	\$0.78 per employee per month			

Of these contributions, the employees or former employees must pay:

- For employee Medical & Rx and dental – 0% of the contributions
- For dependent and vision coverage – 100% of the contributions

The following contributions were required for the Regional Office of Education #26 for the Plan period 10/1/2012-12/31/2012:

	PREMIUMS			
	<u>Single</u>	<u>Employee + 1</u>	<u>Employee + 2</u>	<u>Employee + 3/more</u>
Medical & Rx				
The following rates include the cost for major medical and Rx card.				
\$500 Deductible Plan	\$ 631	\$ 1,450	\$ 1,466	\$ 1,588
\$1,000 Deductible Plan	609	1,332	1,343	1,444
\$2,000 Deductible Plan	590	1,185	1,191	1,275
\$3,000 Deductible Plan	579	1,114	1,119	1,189
Dental (optional)	\$ 19	\$ 35	\$ 44	\$ 57
Vision (optional)	\$ 7	\$ 11	\$ 14	\$ 22
Basic Life Insurance & AD&D				
\$10,000 life plus AD&D	\$1.30 per employee per month			
Dependent Life Insurance				
\$5,000	\$2.98 per employee per month			
\$2,000	\$0.78 per employee per month			

HANCOCK/MCDONOUGH COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (Concluded)

Of these contributions, the employees or former employees must pay:

- For employee Medical & Rx and dental – 0% of the contributions
- For dependent and vision coverage – 100% of the contributions

The publicly available financial report of the Plan and Trust may be obtained by writing to:

Western Area School Association
 c/o David Thompson
 David Thompson Insurance
 120 W. Carroll Street
 Macomb, IL 61455

In addition, the Regional Office of Education #26 allows IMRF employees who retire through the Plan the option to continue to participate in the plan as required by the Illinois Compiled Statutes, with the retiree paying the full premium cost for the coverage. This has not created an implicit subsidy as defined by Governmental Accounting Standard Board (GASB) Statement No. 45 as the Plan is considered a community-rated plan. In addition, the Regional Office of Education #26 has no explicit subsidy as defined by GASB Statement No. 45.

NOTE 14 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Generally accepted accounting principles require disclosure of certain information concerning individual funds which are presented only in combination on the financial statements. Funds having deficit fund balances/net position and funds which overexpend appropriations during the year are required to be disclosed. The following funds had fund deficits as of June 30, 2014:

<u>Fund</u>	<u>Amount</u>
General Fund	
Regional Programs	\$ 41,491
Online Clearing	557
Nonmajor Special Revenue Fund	
General Education Development	955
Education Fund	
McKinney Education for Homeless Children	51,813
Proprietary Fund	
Western Area Purchasing Co-op	45,391

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 15 – REGIONAL OFFICE OF EDUCATION CONSOLIDATION

On November 22, 2013, the Illinois State Board of Education adopted a motion pursuant to its obligation under 105 ILCS 5/3A-4(a), which recognized consolidations agreed to via county board resolutions prior to June 30, 2013, and directed certain other consolidations. Effective July 1, 2015, Hancock/McDonough Counties Regional Office of Education #26 will consolidate Fulton/Schuyler Counties Regional Office of Education #22 into its Educational Service Region.

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

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS
(UNAUDITED)
JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/13	\$ 1,703,024	\$ 1,946,585	\$ 243,561	87.49%	\$ 698,578	34.87%
12/31/12	1,560,795	1,864,835	304,040	83.70%	739,116	41.14%
12/31/11	1,469,764	1,799,526	329,762	81.68%	798,991	41.27%

On a market value basis, the actuarial value of assets as of December 31, 2013, is \$1,913,770.

On a market basis, the funded ratio would be 98.31%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with Hancock/McDonough Regional Office of Education #26. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

OTHER SUPPLEMENTAL INFORMATION

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
JUNE 30, 2014

	County	Office Administration	Regional Programs	Directory	Interest	Hancock McDonough Alternative Schools	Apex	Online Clearing	TOTALS
ASSETS									
Cash and cash equivalents	\$ 45,910	\$ -	\$ 1,478	\$ 8,755	\$ 41,894	\$ 312,802	\$ 87,949	\$ 399	\$ 499,187
Due from other funds	-	-	3,741	-	1,380	207,459	-	-	212,580
Due from other governments									
Local	-	-	-	-	-	1,276	14,455	424	16,155
Prepaid expenses	-	-	3,594	-	-	3,350	3,633	-	10,577
TOTAL ASSETS	\$ 45,910	\$ -	\$ 8,813	\$ 8,755	\$ 43,274	\$ 524,887	\$ 106,037	\$ 823	\$ 738,499
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ 13,589	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,589
Accrued expenses	-	-	27,001	-	-	5,613	-	-	32,614
Due to other funds	5,184	-	9,714	-	-	36,996	-	1,380	53,274
Total Liabilities	5,184	-	50,304	-	-	42,609	-	1,380	99,477
FUND BALANCE (DEFICIT)									
Nonspendable	-	-	3,594	-	-	3,350	3,633	-	10,577
Unassigned	40,726	-	(45,085)	8,755	43,274	478,928	102,404	(557)	628,445
Total Fund Balance (Deficit)	40,726	-	(41,491)	8,755	43,274	482,278	106,037	(557)	639,022
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 45,910	\$ -	\$ 8,813	\$ 8,755	\$ 43,274	\$ 524,887	\$ 106,037	\$ 823	\$ 738,499

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

	County	Office Administration	Regional Programs	Directory	Interest	Hancock McDonough Alternative Schools	Apex	Online Clearing	TOTALS
REVENUES									
Local sources	\$ 102,272	\$ -	\$ 12,356	\$ 1,000	\$ 1,431	\$ 14,664	\$ 14,961	\$ -	\$ 146,684
State sources	-	-	10,686	-	-	179,895	-	-	190,581
On-behalf payments - State	-	-	431,843	-	-	-	-	-	431,843
Federal sources	-	-	34,288	-	-	3,984	-	-	38,272
Total Revenues	102,272	-	489,173	1,000	1,431	198,543	14,961	-	807,380
EXPENDITURES									
Salaries and benefits	94,751	-	80,567	-	-	118,360	27,042	-	320,720
Purchased services	11,761	117	60,465	-	4,082	89,593	4,881	557	171,456
Supplies and materials	98	-	933	-	-	3,478	-	-	4,509
Other objects	-	-	4,278	-	-	-	-	-	4,278
Capital outlay	867	-	-	-	-	7,201	-	-	8,068
On-behalf payments	-	-	431,843	-	-	-	-	-	431,843
Total Expenditures	107,477	117	578,086	-	4,082	218,632	31,923	557	940,874
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,205)	(117)	(88,913)	1,000	(2,651)	(20,089)	(16,962)	(557)	(133,494)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	1,283	-	-	-	-	-	1,283
Transfers out	-	(1,283)	-	-	-	(19,165)	-	-	(20,448)
Total Other Financing Sources (Uses)	-	(1,283)	1,283	-	-	(19,165)	-	-	(19,165)
NET CHANGE IN FUND BALANCE	(5,205)	(1,400)	(87,630)	1,000	(2,651)	(39,254)	(16,962)	(557)	(152,659)
FUND BALANCE - BEGINNING	45,931	1,400	46,139	7,755	45,925	521,532	122,999	-	791,681
FUND BALANCE (DEFICIT) - ENDING	\$ 40,726	\$ -	\$ (41,491)	\$ 8,755	\$ 43,274	\$ 482,278	\$ 106,037	\$ (557)	\$ 639,022

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2014

	Adult Learning Resource Center	Child and Family Connections	Early Childhood Grant (13-3705-00 & 14-3705-00)	Early Childhood Block Grant (13-3705-01 & 14-3705-01)	Family Literacy
ASSETS					
Cash and cash equivalents	\$ 6,145	\$ -	\$ 26,090	\$ 33,500	\$ 737
Due from other funds	-	-	-	-	-
Due from other governments:					
State	-	79,814	31,835	-	-
Federal	-	-	-	-	-
TOTAL ASSETS	\$ 6,145	\$ 79,814	\$ 57,925	\$ 33,500	\$ 737
LIABILITIES					
Accounts payable	\$ -	\$ 13,421	\$ 12,254	\$ 328	\$ -
Accrued expenses	-	-	28,530	-	-
Due to other funds	-	66,393	8,940	8,940	-
Due to other governments:					
Local	-	-	-	-	-
Federal	6,145	-	-	-	-
Unearned revenue	-	-	8,201	24,232	-
Total Liabilities	6,145	79,814	57,925	33,500	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	-
FUND BALANCE (DEFICIT)					
Restricted	-	-	-	-	737
Unassigned	-	-	-	-	-
Total Fund Balance (Deficit)	-	-	-	-	737
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE (DEFICIT)	\$ 6,145	\$ 79,814	\$ 57,925	\$ 33,500	\$ 737

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2014

	<u>Family Violence</u>	<u>Hearing/Vision Screening</u>	<u>Local Donations</u>	<u>McKinney Education for Homeless Children</u>	<u>Pioneer Grant</u>
ASSETS					
Cash and cash equivalents	\$ 3,882	\$ 7,979	\$ 2,834	\$ -	\$ -
Due from other funds	-	-	-	7,801	-
Due from other governments:					
State	-	-	-	-	-
Federal	-	-	-	84,095	-
TOTAL ASSETS	<u>\$ 3,882</u>	<u>\$ 7,979</u>	<u>\$ 2,834</u>	<u>\$ 91,896</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 46,883	\$ -
Accrued expenses	-	-	-	-	-
Due to other funds	-	232	-	60,280	-
Due to other governments:					
Local	-	-	-	-	-
Federal	-	-	-	-	-
Unearned revenue	2,573	-	-	-	-
Total Liabilities	<u>2,573</u>	<u>232</u>	<u>-</u>	<u>107,163</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	36,546	-
FUND BALANCE (DEFICIT)					
Restricted	1,309	7,747	2,834	-	-
Unassigned	-	-	-	(51,813)	-
Total Fund Balance (Deficit)	<u>1,309</u>	<u>7,747</u>	<u>2,834</u>	<u>(51,813)</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE (DEFICIT)	<u>\$ 3,882</u>	<u>\$ 7,979</u>	<u>\$ 2,834</u>	<u>\$ 91,896</u>	<u>\$ -</u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2014

	Regional Safe Schools	Regional System Provider/ Federal System	ROE Technology Maintenance	Teen Court Donations	Teen Court Fines
ASSETS					
Cash and cash equivalents	\$ 1,842	\$ 15,396	\$ 953	\$ 366	\$ 14,774
Due from other funds	-	-	-	-	-
Due from other governments:					
State	3,771	-	-	-	-
Federal	-	-	-	-	-
TOTAL ASSETS	<u>\$ 5,613</u>	<u>\$ 15,396</u>	<u>\$ 953</u>	<u>\$ 366</u>	<u>\$ 14,774</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	5,613	-	-	-	-
Due to other funds	-	-	-	-	232
Due to other governments:					
Local	-	-	-	-	-
Federal	-	-	-	-	-
Unearned revenue	-	15,396	-	-	14,542
Total Liabilities	<u>5,613</u>	<u>15,396</u>	<u>-</u>	<u>-</u>	<u>14,774</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	-
FUND BALANCE (DEFICIT)					
Restricted	-	-	953	366	-
Unassigned	-	-	-	-	-
Total Fund Balance (Deficit)	<u>-</u>	<u>-</u>	<u>953</u>	<u>366</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE (DEFICIT)	<u>\$ 5,613</u>	<u>\$ 15,396</u>	<u>\$ 953</u>	<u>\$ 366</u>	<u>\$ 14,774</u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2014

	Title I - School Improvement & Accountability	Title II - Teacher Leadership	Title II - Teacher Quality	Title IV - Safe and Drug Free Formula	Truants Alternative Optional Education
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 632	\$ -
Due from other funds	-	-	-	-	-
Due from other governments:					
State	-	-	-	-	15,662
Federal	14,206	-	209	-	-
TOTAL ASSETS	\$ 14,206	\$ -	\$ 209	\$ 632	\$ 15,662
LIABILITIES					
Accounts payable	\$ 8,082	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	4,121
Due to other funds	6,015	-	209	-	11,541
Due to other governments:					
Local	109	-	-	-	-
Federal	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	14,206	-	209	-	15,662
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	-
FUND BALANCE (DEFICIT)					
Restricted	-	-	-	632	-
Unassigned	-	-	-	-	-
Total Fund Balance (Deficit)	-	-	-	632	-
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE (DEFICIT)	\$ 14,206	\$ -	\$ 209	\$ 632	\$ 15,662

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2014

	Truants Alternative Optional Education Program Training	United Way	WC4 (ROE/ISC Operations)	TOTALS
ASSETS				
Cash and cash equivalents	\$ 53,099	\$ 1,536	\$ 464	\$ 170,229
Due from other funds	-	-	-	7,801
Due from other governments:				
State	-	-	-	131,082
Federal	-	-	-	98,510
	<u>\$ 53,099</u>	<u>\$ 1,536</u>	<u>\$ 464</u>	<u>\$ 407,622</u>
TOTAL ASSETS				
LIABILITIES				
Accounts payable	\$ 907	\$ -	\$ -	\$ 81,875
Accrued expenses	16,353	-	-	54,617
Due to other funds	2,674	232	464	166,152
Due to other governments:				
Local	-	-	-	109
Federal	-	-	-	6,145
Unearned revenue	33,165	-	-	98,109
	<u>53,099</u>	<u>232</u>	<u>464</u>	<u>407,007</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	36,546
FUND BALANCE (DEFICIT)				
Restricted	-	1,304	-	15,882
Unassigned	-	-	-	(51,813)
	<u>-</u>	<u>1,304</u>	<u>-</u>	<u>(35,931)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE (DEFICIT)				
	<u>\$ 53,099</u>	<u>\$ 1,536</u>	<u>\$ 464</u>	<u>\$ 407,622</u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

	Adult Learning Resource Center	Child and Family Connections	Early Childhood Grant (13-3705-00 & 14-3705-00)	Early Childhood Block Grant (13-3705-01 & 14-3705-01)	Family Literacy
REVENUES					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	409,643	373,172	289,529	-
Federal sources	-	89,559	-	-	-
Total Revenues	<u>-</u>	<u>499,202</u>	<u>373,172</u>	<u>289,529</u>	<u>-</u>
EXPENDITURES					
Salaries and benefits	-	409,254	286,014	229,677	-
Purchased services	-	76,328	16,138	45,699	-
Supplies and materials	-	13,620	18,020	12,033	-
Capital outlay	-	-	-	2,120	-
Payments to other governments	-	-	53,000	-	-
Total Expenditures	<u>-</u>	<u>499,202</u>	<u>373,172</u>	<u>289,529</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>737</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 737</u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Family Violence</u>	<u>Hearing/Vision Screening</u>	<u>Local Donations</u>	<u>McKinney Education for Homeless Children</u>	<u>Pioneer Grant</u>
REVENUES					
Local sources	\$ 1,309	\$ 9,325	\$ -	\$ -	\$ 6,304
State sources	8,857	-	-	-	-
Federal sources	-	-	-	210,997	-
Total Revenues	<u>10,166</u>	<u>9,325</u>	<u>-</u>	<u>210,997</u>	<u>6,304</u>
EXPENDITURES					
Salaries and benefits	7,457	4,527	-	44,366	11,354
Purchased services	750	1,226	-	11,728	-
Supplies and materials	650	-	-	510	-
Capital outlay	-	-	-	-	-
Payments to other governments	-	-	-	154,823	-
Total Expenditures	<u>8,857</u>	<u>5,753</u>	<u>-</u>	<u>211,427</u>	<u>11,354</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,309</u>	<u>3,572</u>	<u>-</u>	<u>(430)</u>	<u>(5,050)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	5,050
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,050</u>
NET CHANGE IN FUND BALANCE	1,309	3,572	-	(430)	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>4,175</u>	<u>2,834</u>	<u>(51,383)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ 1,309</u>	<u>\$ 7,747</u>	<u>\$ 2,834</u>	<u>\$ (51,813)</u>	<u>\$ -</u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

	Regional Safe Schools	Regional System Provider/ Federal System	ROE Technology Maintenance	Teen Court Donations	Teen Court Fines
REVENUES					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 8,697
State sources	45,175	-	-	-	-
Federal sources	-	6,036	-	-	-
Total Revenues	<u>45,175</u>	<u>6,036</u>	<u>-</u>	<u>-</u>	<u>8,697</u>
EXPENDITURES					
Salaries and benefits	57,201	-	-	-	6,173
Purchased services	1,998	6,036	-	-	1,024
Supplies and materials	-	-	-	-	1,500
Capital outlay	-	-	-	-	-
Payments to other governments	-	-	-	-	-
Total Expenditures	<u>59,199</u>	<u>6,036</u>	<u>-</u>	<u>-</u>	<u>8,697</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(14,024)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	<u>14,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>14,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>953</u>	<u>366</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 953</u>	<u>\$ 366</u>	<u>\$ -</u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

	Title I - School Improvement & Accountability	Title II - Teacher Leadership	Title II - Teacher Quality	Title IV - Safe and Drug Free Formula	Truants Alternative Optional Education
REVENUES					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	92,507
Federal sources	18,479	1,500	709	-	-
Total Revenues	<u>18,479</u>	<u>1,500</u>	<u>709</u>	<u>-</u>	<u>92,507</u>
EXPENDITURES					
Salaries and benefits	-	-	-	-	89,244
Purchased services	15,351	1,500	500	-	3,263
Supplies and materials	3,128	-	209	-	-
Capital outlay	-	-	-	-	-
Payments to other governments	-	-	-	-	-
Total Expenditures	<u>18,479</u>	<u>1,500</u>	<u>709</u>	<u>-</u>	<u>92,507</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>632</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 632</u>	<u>\$ -</u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

	Truants Alternative Optional Education Program Training	United Way	WC4 (ROE/ISC Operations)	TOTALS
REVENUES				
Local sources	\$ -	\$ 3,339	\$ -	\$ 28,974
State sources	134,441	-	23,995	1,377,319
Federal sources	-	-	-	327,280
Total Revenues	<u>134,441</u>	<u>3,339</u>	<u>23,995</u>	<u>1,733,573</u>
EXPENDITURES				
Salaries and benefits	118,440	1,108	18,363	1,283,178
Purchased services	15,999	2,608	5,602	205,750
Supplies and materials	2	-	-	49,672
Capital outlay	-	-	-	2,120
Payments to other governments	-	-	121	207,944
Total Expenditures	<u>134,441</u>	<u>3,716</u>	<u>24,086</u>	<u>1,748,664</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(377)</u>	<u>(91)</u>	<u>(15,091)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	91	19,165
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>91</u>	<u>19,165</u>
NET CHANGE IN FUND BALANCE	-	(377)	-	4,074
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>1,681</u>	<u>-</u>	<u>(40,005)</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ 1,304</u>	<u>\$ -</u>	<u>\$ (35,931)</u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
CHILD AND FAMILY CONNECTIONS
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 492,009	\$ 492,009	\$ 409,643
Federal sources	-	-	89,559
Total Revenue	<u>492,009</u>	<u>492,009</u>	<u>499,202</u>
EXPENDITURES			
Salaries and benefits	432,067	432,067	409,254
Purchased services	56,230	56,230	76,328
Supplies and materials	3,712	3,712	13,620
Total Expenditures	<u>492,009</u>	<u>492,009</u>	<u>499,202</u>
 NET CHANGE IN FUND BALANCE	 -	 -	 -
 FUND BALANCE - BEGINNING	 <u>-</u>	 <u>-</u>	 <u>-</u>
 FUND BALANCE - ENDING	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
EARLY CHILDHOOD GRANT (13-3705-00)
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amount
	Original	Final	
REVENUE			
State sources	\$ 328,987	\$ 381,987	\$ 24,346
Total Revenue	<u>328,987</u>	<u>381,987</u>	<u>24,346</u>
EXPENDITURES			
Salaries and benefits	302,560	302,560	20,410
Purchased services	15,221	15,221	552
Supplies and materials	11,206	11,206	3,384
Payments to other governments	-	53,000	-
Total Expenditures	<u>328,987</u>	<u>381,987</u>	<u>24,346</u>
 NET CHANGE IN FUND BALANCE	 -	 -	 -
 FUND BALANCE - BEGINNING	 <u>-</u>	 <u>-</u>	 <u>-</u>
 FUND BALANCE - ENDING	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

Revenues and expenditures are less than budgeted amounts because the grant ran from July 1, 2012, through June 30, 2013; part of the grant was obligated in the prior year and expended in the current fiscal year.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
EARLY CHILDHOOD GRANT (14-3705-00)
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 381,987	\$ 381,987	\$ 348,826
Total Revenue	<u>381,987</u>	<u>381,987</u>	<u>348,826</u>
EXPENDITURES			
Salaries and benefits	290,017	290,017	265,604
Purchased services	17,321	17,321	15,586
Supplies and materials	21,649	21,649	14,636
Payments to other governments	53,000	53,000	53,000
Total Expenditures	<u>381,987</u>	<u>381,987</u>	<u>348,826</u>
 NET CHANGE IN FUND BALANCE	 -	 -	 -
 FUND BALANCE - BEGINNING	 <u>-</u>	 <u>-</u>	 <u>-</u>
 FUND BALANCE - ENDING	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
EARLY CHILDHOOD BLOCK GRANT (13-3705-01)
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amount
	Original	Final	
REVENUE			
State sources	\$ 286,166	\$ 286,166	\$ 50,079
Total Revenue	<u>286,166</u>	<u>286,166</u>	<u>50,079</u>
EXPENDITURES			
Salaries and benefits	215,169	219,359	35,467
Purchased services	61,997	56,307	9,794
Supplies and materials	9,000	10,500	4,818
Total Expenditures	<u>286,166</u>	<u>286,166</u>	<u>50,079</u>
 NET CHANGE IN FUND BALANCE	 -	 -	 -
 FUND BALANCE - BEGINNING	 <u>-</u>	 <u>-</u>	 <u>-</u>
 FUND BALANCE - ENDING	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

Revenues and expenditures are less than budgeted amounts because the grant ran from July 1, 2012, through August 31, 2013; only part of the grant was received and expended in the current fiscal year.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
EARLY CHILDHOOD BLOCK GRANT (14-3705-01)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
REVENUE			
State sources	\$ 286,166	\$ 286,166	\$ 239,450
Total Revenue	<u>286,166</u>	<u>286,166</u>	<u>239,450</u>
EXPENDITURES			
Salaries and benefits	185,252	202,152	194,210
Purchased services	85,914	63,894	35,905
Supplies and materials	15,000	15,000	7,215
Capital outlay	-	5,120	2,120
Total Expenditures	<u>286,166</u>	<u>286,166</u>	<u>239,450</u>
 NET CHANGE IN FUND BALANCE	 -	 -	 -
 FUND BALANCE - BEGINNING	 <u>-</u>	 <u>-</u>	 <u>-</u>
 FUND BALANCE - ENDING	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

Revenues and expenditures are less than budgeted amounts because the grant ran from July 1, 2013, through August 31, 2014; only part of the grant was received and expended in the current fiscal year.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
FAMILY VIOLENCE
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Local	\$ -	\$ -	\$ 1,309
State	11,430	11,430	8,857
Total Revenue	<u>11,430</u>	<u>11,430</u>	<u>10,166</u>
EXPENDITURES			
Salaries and benefits	10,031	10,031	7,457
Purchased services	1,150	1,150	750
Supplies and materials	249	249	650
Other objects	-	-	-
Capital outlay	-	-	-
Payments to other governments	-	-	-
Total Expenditures	<u>11,430</u>	<u>11,430</u>	<u>8,857</u>
 NET CHANGE IN FUND BALANCE	 -	 -	 1,309
 FUND BALANCE - BEGINNING	 <u>-</u>	 <u>-</u>	 <u>-</u>
 FUND BALANCE - ENDING	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,309</u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
MCKINNEY EDUCATION FOR HOMELESS CHILDREN (13-4920-00)
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 278,308	\$ 300,326	\$ 61,603
Total Revenue	<u>278,308</u>	<u>300,326</u>	<u>61,603</u>
EXPENDITURES			
Salaries and benefits	61,440	61,440	-
Purchased services	8,140	10,640	3,321
Payments to other governments	208,728	228,246	58,282
Total Expenditures	<u>278,308</u>	<u>300,326</u>	<u>61,603</u>
 NET CHANGE IN FUND BALANCE	 -	 -	 -
 FUND BALANCE (DEFICIT) - BEGINNING	 <u>-</u>	 <u>-</u>	 <u>(51,383)</u>
 FUND BALANCE (DEFICIT) - ENDING	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ (51,383)</u>

Revenues and expenditures are less than budgeted amounts because the grant ran from July 1, 2012, through September 30, 2013; only part of the grant was received and expended in the current fiscal year.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
MCKINNEY EDUCATION FOR HOMELESS CHILDREN (14-4920-00)
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 207,010	\$ 217,020	\$ 149,394
Total Revenue	<u>207,010</u>	<u>217,020</u>	<u>149,394</u>
EXPENDITURES			
Salaries and benefits	42,760	42,760	44,366
Purchased services	8,305	7,995	8,407
Supplies and materials	680	1,000	510
Payments to other governments	155,265	165,265	96,541
Total Expenditures	<u>207,010</u>	<u>217,020</u>	<u>149,824</u>
 NET CHANGE IN FUND BALANCE	 -	 -	 (430)
 FUND BALANCE (DEFICIT) - BEGINNING	 -	 -	 (51,383)
 FUND BALANCE (DEFICIT) - ENDING	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ (51,813)</u>

Revenues and expenditures are less than budgeted amounts because the grant ran from July 1, 2013, through September 30, 2014; only part of the grant was received and expended in the current fiscal year.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
REGIONAL SAFE SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 45,175	\$ 45,175	\$ 45,175
Total Revenue	<u>45,175</u>	<u>45,175</u>	<u>45,175</u>
EXPENDITURES			
Salaries and benefits	43,263	43,263	57,201
Purchased services	1,912	1,912	1,998
Total Expenditures	<u>45,175</u>	<u>45,175</u>	<u>59,199</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(14,024)</u>
OTHER FINANCING SOURCES (USES):			
Transfer in	-	-	14,024
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>14,024</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TITLE I - SCHOOL IMPROVEMENT & ACCOUNTABILITY
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 31,840	\$ 29,340	\$ 18,479
Total Revenue	<u>31,840</u>	<u>29,340</u>	<u>18,479</u>
EXPENDITURES			
Purchased services	27,150	26,430	15,351
Supplies and materials	3,440	2,550	3,128
Payments to other governments	1,250	360	-
Total Expenditures	<u>31,840</u>	<u>29,340</u>	<u>18,479</u>
 NET CHANGE IN FUND BALANCE	 -	 -	 -
 FUND BALANCE - BEGINNING	 <u>-</u>	 <u>-</u>	 <u>-</u>
 FUND BALANCE - ENDING	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TITLE II - TEACHER LEADERSHIP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 1,575	\$ 1,575	\$ 1,500
Total Revenue	<u>1,575</u>	<u>1,575</u>	<u>1,500</u>
EXPENDITURES			
Purchased services	1,500	1,500	1,500
Supplies and materials	75	75	-
Total Expenditures	<u>1,575</u>	<u>1,575</u>	<u>1,500</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TITLE II - TEACHER QUALITY
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 709	\$ 709	\$ 709
Total Revenue	<u>709</u>	<u>709</u>	<u>709</u>
EXPENDITURES			
Purchased services	609	609	500
Supplies and materials	100	100	209
Total Expenditures	<u>709</u>	<u>709</u>	<u>709</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TRUANTS ALTERNATIVE OPTIONAL EDUCATION (14-3695-13)
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 93,842	\$ 93,842	\$ 92,507
Total Revenue	<u>93,842</u>	<u>93,842</u>	<u>92,507</u>
EXPENDITURES			
Salaries and benefits	92,132	92,132	89,244
Purchased services	1,710	1,710	3,263
Total Expenditures	<u>93,842</u>	<u>93,842</u>	<u>92,507</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TRUANTS ALTERNATIVE OPTIONAL EDUCATION PROGRAM TRAINING (13-3695-11)
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 202,850	\$ 202,850	\$ 15,759
Total Revenue	<u>202,850</u>	<u>202,850</u>	<u>15,759</u>
EXPENDITURES			
Salaries and benefits	106,865	106,865	15,759
Purchased services	95,485	95,485	-
Supplies and materials	500	500	-
Total Expenditures	<u>202,850</u>	<u>202,850</u>	<u>15,759</u>
 NET CHANGE IN FUND BALANCE	 -	 -	 -
 FUND BALANCE - BEGINNING	 <u>-</u>	 <u>-</u>	 <u>-</u>
 FUND BALANCE - ENDING	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

Revenues and expenditures are less than budgeted amounts because the grant ran from September 1, 2012, through August 31, 2013; only part of the grant was received and expended in the current fiscal year.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TRUANTS ALTERNATIVE OPTIONAL EDUCATION PROGRAM TRAINING (14-3695-14)
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 202,850	\$ 202,850	\$ 118,682
Total Revenue	<u>202,850</u>	<u>202,850</u>	<u>118,682</u>
EXPENDITURES			
Salaries and benefits	110,232	106,865	102,681
Purchased services	92,118	95,485	15,999
Supplies and materials	500	500	2
Total Expenditures	<u>202,850</u>	<u>202,850</u>	<u>118,682</u>
 NET CHANGE IN FUND BALANCE	 -	 -	 -
 FUND BALANCE - BEGINNING	 <u>-</u>	 <u>-</u>	 <u>-</u>
 FUND BALANCE - ENDING	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

Revenues and expenditures are less than budgeted amounts because the grant ran from September 1, 2013, through August 31, 2014; only part of the grant was received and expended in the current fiscal year.

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
WC4 (ROE/ISC OPERATIONS)
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 23,995	\$ 23,995	\$ 23,995
Total Revenue	<u>23,995</u>	<u>23,995</u>	<u>23,995</u>
EXPENDITURES			
Salaries and benefits	18,363	18,363	18,363
Purchased services	5,632	5,632	5,602
Payments to other governments	-	-	121
Total Expenditures	<u>23,995</u>	<u>23,995</u>	<u>24,086</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(91)</u>
OTHER FINANCING SOURCES (USES):			
Transfer in	-	-	91
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>91</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2014

	<u>General Education Development</u>	<u>Bus Driver Training</u>	<u>Institute</u>	<u>TOTALS</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 8,282	\$ 36,716	\$ 44,998
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 8,282</u>	<u>\$ 36,716</u>	<u>\$ 44,998</u>
LIABILITIES				
Accounts payable	\$ -	\$ 1,076	\$ -	\$ 1,076
Due to other funds	955	-	-	955
Total Liabilities	<u>955</u>	<u>1,076</u>	<u>-</u>	<u>2,031</u>
FUND BALANCE (DEFICIT)				
Restricted	-	7,206	36,716	43,922
Unassigned	(955)	-	-	(955)
Total Fund Balance (Deficit)	<u>(955)</u>	<u>7,206</u>	<u>36,716</u>	<u>42,967</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ -</u>	<u>\$ 8,282</u>	<u>\$ 36,716</u>	<u>\$ 44,998</u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Education Development	Bus Driver Training	Institute	TOTALS
REVENUES				
Local sources	\$ 2,711	\$ 1,024	\$ 10,218	\$ 13,953
State sources	-	764	-	764
Total Revenues	<u>2,711</u>	<u>1,788</u>	<u>10,218</u>	<u>14,717</u>
EXPENDITURES				
Salaries and benefits	2,399	-	5,521	7,920
Purchased services	1,133	1,349	12,173	14,655
Supplies and materials	-	71	-	71
Total Expenditures	<u>3,532</u>	<u>1,420</u>	<u>17,694</u>	<u>22,646</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(821)</u>	<u>368</u>	<u>(7,476)</u>	<u>(7,929)</u>
OTHER FINANCING SOURCES				
Interest	-	-	3	3
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
NET CHANGE IN FUND BALANCE	(821)	368	(7,473)	(7,926)
FUND BALANCE (DEFICIT) - BEGINNING	<u>(134)</u>	<u>6,838</u>	<u>44,189</u>	<u>50,893</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ (955)</u>	<u>\$ 7,206</u>	<u>\$ 36,716</u>	<u>\$ 42,967</u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		TOTALS
	Workshop Fund	Fingerprinting Fund	
ASSETS			
Cash and cash equivalents	\$ 394	\$ 24,196	\$ 24,590
Accounts receivable	-	6,212	6,212
Total current assets	394	30,408	30,802
 Noncurrent assets:			
Capital assets, being depreciated, net	1,186	2,598	3,784
TOTAL ASSETS	1,580	33,006	34,586
 LIABILITIES			
Accounts payable	-	2,016	2,016
TOTAL LIABILITIES	-	2,016	2,016
 NET POSITION			
Investment in capital assets	1,186	2,598	3,784
Unrestricted	394	28,392	28,786
TOTAL NET POSITION	\$ 1,580	\$ 30,990	\$ 32,570

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities Enterprise Funds		TOTALS
	Workshop Fund	Fingerprinting Fund	
OPERATING REVENUES			
Fees for services	\$ -	\$ 45,674	\$ 45,674
Total Operating Revenues	-	45,674	45,674
OPERATING EXPENSES			
Purchased services	-	32,724	32,724
Depreciation	686	2,073	2,759
Total Operating Expenses	686	34,797	35,483
OPERATING INCOME (LOSS)	(686)	10,877	10,191
TOTAL NET POSITION - BEGINNING	2,266	20,113	22,379
TOTAL NET POSITION - ENDING	\$ 1,580	\$ 30,990	\$ 32,570

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		
	Workshop Fund	Fingerprinting Fund	TOTALS
Cash Flows from Operating Activities:			
Receipts from customers	\$ -	\$ 39,462	\$ 39,462
Payments to suppliers and providers of goods and services	-	(33,370)	(33,370)
Net Cash Provided by (Used for) Operating Activities	-	6,092	6,092
Net Increase (Decrease) in Cash and Cash Equivalents	-	6,092	6,092
Cash and cash equivalents - Beginning	394	18,104	18,498
Cash and cash equivalents - Ending	\$ 394	\$ 24,196	\$ 24,590
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ (686)	\$ 10,877	\$ 10,191
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	686	2,073	2,759
(Increase)/decrease in assets:			
Increase in accounts receivable	-	(6,212)	(6,212)
Increase/(decrease) in liabilities:			
Decrease in accounts payable	-	(646)	(646)
Net Cash Provided by (Used for) Operating Activities	\$ -	\$ 6,092	\$ 6,092

HANCOCK/MCDONOUGH COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 AGENCY FUNDS
 JUNE 30, 2014

	Administrators Roundtable	Area III Superintendents	Hancock County Principals	Regional Board of School Trustees
ASSETS				
Cash and cash equivalents	\$ 9,753	\$ 7,721	\$ 4,449	\$ 1,773
Due from other governments	-	-	-	-
TOTAL ASSETS	\$ 9,753	\$ 7,721	\$ 4,449	\$ 1,773
LIABILITIES				
Due to other governments	\$ 9,753	\$ 7,721	\$ 4,449	\$ 1,773
TOTAL LIABILITIES	\$ 9,753	\$ 7,721	\$ 4,449	\$ 1,773

HANCOCK/MCDONOUGH COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 AGENCY FUNDS
 JUNE 30, 2014

	Western Area Career System	Distributive Fund	TOTALS
ASSETS			
Cash and cash equivalents	\$ -	\$ 139,855	\$ 163,551
Due from other governments	1,276	1,263,056	1,264,332
TOTAL ASSETS	\$ 1,276	\$ 1,402,911	\$ 1,427,883
LIABILITIES			
Due to other governments	\$ 1,276	\$ 1,402,911	\$ 1,427,883
TOTAL LIABILITIES	\$ 1,276	\$ 1,402,911	\$ 1,427,883

HANCOCK/MCDONOUGH COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<u>ADMINISTRATORS ROUNDTABLE</u>				
ASSETS				
Cash and cash equivalents	\$ 12,012	\$ 1,154	\$ 3,413	\$ 9,753
Total Assets	<u>\$ 12,012</u>	<u>\$ 1,154</u>	<u>\$ 3,413</u>	<u>\$ 9,753</u>
LIABILITIES				
Due to other governments	\$ 12,012	\$ 1,154	\$ 3,413	\$ 9,753
Total Liabilities	<u>\$ 12,012</u>	<u>\$ 1,154</u>	<u>\$ 3,413</u>	<u>\$ 9,753</u>
 <u>AREA III SUPERINTENDENTS</u>				
ASSETS				
Cash and cash equivalents	\$ 6,655	\$ 3,000	\$ 1,934	\$ 7,721
Total Assets	<u>\$ 6,655</u>	<u>\$ 3,000</u>	<u>\$ 1,934</u>	<u>\$ 7,721</u>
LIABILITIES				
Due to other governments	\$ 6,655	\$ 3,000	\$ 1,934	\$ 7,721
Total Liabilities	<u>\$ 6,655</u>	<u>\$ 3,000</u>	<u>\$ 1,934</u>	<u>\$ 7,721</u>
 <u>HANCOCK COUNTY PRINCIPALS</u>				
ASSETS				
Cash and cash equivalents	\$ 4,492	\$ 1,791	\$ 1,834	\$ 4,449
Total Assets	<u>\$ 4,492</u>	<u>\$ 1,791</u>	<u>\$ 1,834</u>	<u>\$ 4,449</u>
LIABILITIES				
Due to other governments	\$ 4,492	\$ 1,791	\$ 1,834	\$ 4,449
Total Liabilities	<u>\$ 4,492</u>	<u>\$ 1,791</u>	<u>\$ 1,834</u>	<u>\$ 4,449</u>
 <u>REGIONAL BOARD OF SCHOOL TRUSTEES</u>				
ASSETS				
Cash and cash equivalents	\$ 1,773	\$ -	\$ -	\$ 1,773
Total Assets	<u>\$ 1,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,773</u>
LIABILITIES				
Due to other governments	\$ 1,773	\$ -	\$ -	\$ 1,773
Total Liabilities	<u>\$ 1,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,773</u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<u>WESTERN AREA CAREER SYSTEM</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ -	\$ 3,615	\$ 3,615	\$ -
Due from other governments	924	352	-	1,276
Total Assets	<u>\$ 924</u>	<u>\$ 3,967</u>	<u>\$ 3,615</u>	<u>\$ 1,276</u>
<u>LIABILITIES</u>				
Due to other governments	\$ 924	\$ 3,967	\$ 3,615	\$ 1,276
Total Liabilities	<u>\$ 924</u>	<u>\$ 3,967</u>	<u>\$ 3,615</u>	<u>\$ 1,276</u>
 <u>DISTRIBUTIVE FUND</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 769	\$ 6,186,211	\$ 6,047,125	\$ 139,855
Due from other governments	1,182,898	1,263,056	1,182,898	1,263,056
Total Assets	<u>\$ 1,183,667</u>	<u>\$ 7,449,267</u>	<u>\$ 7,230,023</u>	<u>\$ 1,402,911</u>
<u>LIABILITIES</u>				
Due to other governments	\$ 1,183,667	\$ 7,449,267	\$ 7,230,023	\$ 1,402,911
Total Liabilities	<u>\$ 1,183,667</u>	<u>\$ 7,449,267</u>	<u>\$ 7,230,023</u>	<u>\$ 1,402,911</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 25,701	\$ 6,195,771	\$ 6,057,921	\$ 163,551
Due from other governments	1,183,822	1,263,408	1,182,898	1,264,332
Total Assets	<u>\$ 1,209,523</u>	<u>\$ 7,459,179</u>	<u>\$ 7,240,819</u>	<u>\$ 1,427,883</u>
<u>LIABILITIES</u>				
Due to other governments	\$ 1,209,523	\$ 7,459,179	\$ 7,240,819	\$ 1,427,883
Total Liabilities	<u>\$ 1,209,523</u>	<u>\$ 7,459,179</u>	<u>\$ 7,240,819</u>	<u>\$ 1,427,883</u>

HANCOCK/MCDONOUGH COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF DISBURSEMENTS TO OTHER ENTITIES
DISTRIBUTIVE FUND
FOR THE YEAR ENDED JUNE 30, 2014

DISTRIBUTIONS	Acct. No.	Western Area Career System	West Central Illinois Special Ed	Regional Office of Education #26	TOTAL
State Funds					
General State Aid - Sec. 18-8	3001	\$ -	\$ -	\$ 179,825	\$ 179,825
Sp. Ed. - Personnel	3110	-	632,723	-	632,723
Career & Technical Ed Improvement (CTEI)	3220	450,300	-	-	450,300
State Free Lunch & Breakfast	3360	-	737	70	807
ROE School Bus Driver Training	3520	-	-	764	764
Truants Alternative/Optional Ed.	3695	-	-	268,168	268,168
Regional Safe Schools	3696	-	-	45,254	45,254
Early Childhood - Block Grant	3705	-	-	672,139	672,139
ROE/ISC Operations	3730	-	-	25,991	25,991
Total State Funds		450,300	633,460	1,192,211	2,275,971
Federal Funds					
National School Lunch Program	4210	-	22,369	3,686	26,055
School Breakfast Program	4220	-	13,632	298	13,930
Fed. - Sp. Ed. - Pre-School Flow Through	4600	-	113,995	-	113,995
Fed. - Sp. Ed. - I.D.E.A. Flow Through	4620	-	3,282,863	-	3,282,863
CTE-Perkins Secondary	4745	82,857	-	-	82,857
McKinney Education for Homeless Children	4920	-	-	246,054	246,054
Title II - Teacher Quality	4932	-	-	500	500
Title II - Teacher Quality - Leadership	4935	-	-	4,900	4,900
Total Federal Funds		82,857	3,432,859	255,438	3,771,154
TOTAL DISTRIBUTIONS		\$ 533,157	\$ 4,066,319	\$ 1,447,649	\$ 6,047,125