

STATE OF ILLINOIS
HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

FINANCIAL AUDIT
(In Accordance with the Single Audit Act
and OMB Circular A-133)
For the Year Ended June 30, 2014

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

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS	1
COMPLIANCE REPORT SUMMARY	2
FINANCIAL STATEMENT REPORT SUMMARY	4
FINANCIAL SECTION	
Independent Auditor’s Report	5
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	8
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133	10
Schedule of Findings and Questioned Costs	12
Financial Statement Findings	13
Federal Award Findings	15
Corrective Action Plan for Current Year Audit Findings	16
Summary Schedule of Prior Audit Findings	17
MANAGEMENT’S DISCUSSION AND ANALYSIS	18
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	24
Statement of Activities	25
Balance Sheet – Governmental Funds	26
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – Governmental Funds	27
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds	29
Statement of Net Position – Proprietary Fund	30
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	31
Statement of Cash Flows – Proprietary Fund	32
Statement of Fiduciary Net Position – Fiduciary Fund	33
Notes to Financial Statements	34
REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MANAGEMENT’S DISCUSSION AND ANALYSIS)	
Illinois Municipal Retirement Fund – Schedule of Funding Progress	57

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

TABLE OF CONTENTS

	<u>Page</u>
SUPPLEMENTARY INFORMATION	
COMBINING AND INDIVIDUAL FINANCIAL STATEMENTS AND SCHEDULES	
General Fund:	
Combining Schedule of Accounts	58
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	60
Education Fund:	
Combining Schedule of Accounts	62
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	64
Budgetary Comparison Schedules – Education Fund Accounts:	
McDonough/Hancock ROE Homeless Grant	66
ROE/ISC Operations	67
Early Childhood – Block Grant	68
Title IV 21st Century Community Learning Centers	69
Title II – Teacher Quality - Leadership	70
Title I School Improvement and Accountability Part A SSOS	71
Progressive Alternative Secondary School (P.A.S.S.) Accounts:	
Combining Schedule of Accounts	72
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	74
Budgetary Comparison Schedules – P.A.S.S. Accounts:	
Adult Education and Family Literacy – State Basic	76
Adult Education and Family Literacy – State Performance	77
Adult Education and Family Literacy – Public Assistance	78
Regional Safe Schools	79
Federal Adult Education – Basic	80
Title II – Teacher Quality	81
Non-Major Special Revenue Fund:	
Combining Balance Sheet	82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	83
Agency Fund:	
Statement of Changes in Assets and Liabilities	84
FEDERAL COMPLIANCE SECTION	
Schedule of Expenditures of Federal Awards	85
Notes to the Schedule of Expenditures of Federal Awards	86

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

OFFICIALS

Regional Superintendent (current and during audit period)	Ms. Jodi Scott
Assistant Regional Superintendent (during audit period)	Mr. Don Daily
Assistant Regional Superintendent (during audit period)	Mr. Bill Rees
Assistant Regional Superintendent (during audit period)	Ms. Sue McKee
Assistant Regional Superintendent (July 1, 2014 – Present)	Ms. Lori Loving

Offices are located at:

ROE Main Office, PASS/Adult Education & Early Childhood
105 North E Street, Suite 1
Monmouth, IL 61462

High Roads Advantage
2004 SE 3rd Street
Aledo, IL 61231

21st Century Community Learning Centers
West Central Community Unit School District #235
Biggsville, IL 61418

21st Century Community Learning Centers
Monmouth-Roseville High School
Monmouth, IL 61462

21st Century Community Learning Centers
United High School
Monmouth, IL 61462

Early Childhood Classroom
Mercer County YMCA
Aledo, IL 61231

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27

COMPLIANCE REPORT SUMMARY

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

AUDITOR’S REPORTS

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

SUMMARY OF AUDIT FINDINGS

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

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<u>Findings (Government Auditing Standards)</u>			
2014-001	13	Controls over financial statement preparation	Material Weakness
<u>Findings and Questioned Costs (Federal Compliance)</u>			
None			
<u>Prior Audit Findings Not Repeated (Government Auditing Standards)</u>			
2013-002	17	Inadequate controls over capital assets	Significant Deficiency

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

COMPLIANCE REPORT SUMMARY - CONTINUED

EXIT CONFERENCE

Henderson, Mercer and Warren Counties Regional Office of Education #27 waived having an exit conference in correspondence dated March 16, 2015. Responses to the recommendations were provided by the ROE management in correspondence received October 21, 2014.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Henderson, Mercer and Warren Counties Regional Office of Education #27 was performed by Sulaski and Webb, CPAs.

Based on their audit, the auditors expressed an unmodified opinion on the Henderson, Mercer and Warren Counties Regional Office of Education #27's basic financial statements.



CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's 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 Henderson, Mercer and Warren Counties Regional Office of Education #27, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Henderson, Mercer and Warren Counties Regional Office of Education #27'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 Henderson, Mercer and Warren Counties Regional Office of Education #27, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13, the Regional Office of Education #27 will disband effective July 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 18 through 23 and 57 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 Henderson, Mercer and Warren Counties Regional Office of Education #27's basic financial statements. The combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2015 on our consideration of the Henderson, Mercer and Warren Counties Regional Office of Education #27'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 Henderson, Mercer and Warren Counties Regional Office of Education #27's internal control over financial reporting and compliance.

Sulaski + Webb

Sulaski and Webb
Certified Public Accountants
Bloomington, Illinois

March 16, 2015

Independent Auditor's 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 the Henderson, Mercer and Warren Counties Regional Office of Education #27, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Henderson, Mercer and Warren Counties Regional Office of Education #27's basic financial statements, and have issued our report thereon dated March 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Henderson, Mercer and Warren Counties Regional Office of Education #27'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 Henderson, Mercer and Warren Counties Regional Office of Education #27's internal control. Accordingly, we do not express an opinion on the effectiveness of Henderson, Mercer and Warren Counties Regional Office of Education #27'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 Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henderson, Mercer and Warren Counties Regional Office of Education #27's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Regional Office of Education No. 27's Response to Finding

Henderson, Mercer and Warren Counties Regional Office of Education #27's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Henderson, Mercer and Warren Counties Regional Office of Education #27's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Henderson, Mercer and Warren Counties Regional Office of Education #27's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Henderson, Mercer and Warren Counties Regional Office of Education #27's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sulaski & Webb

Sulaski and Webb
Certified Public Accountants
Bloomington, Illinois

March 16, 2015

Independent Auditor's Report on Compliance for Each
Major Federal Program and Report on Internal Control
Over Compliance Required by OMB Circular A-133

Honorable William G. Holland
Auditor General
State of Illinois

Report on Compliance for Each Major Federal Program

We have audited Henderson, Mercer and Warren Counties Regional Office of Education #27's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Regional Office of Education #27's major federal program for the year ended June 30, 2014. The Henderson, Mercer and Warren Counties Regional Office of Education #27's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Henderson, Mercer and Warren Counties Regional Office of Educations #27's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Henderson, Mercer and Warren Counties Regional Office of Education #27's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Henderson, Mercer and Warren Counties Regional Office of Education #27's compliance.

Opinion on the Major Federal Program

In our opinion, the Henderson, Mercer and Warren Counties Regional Office of Education #27 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Henderson, Mercer and Warren Counties Regional Office of Education #27 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Henderson, Mercer and Warren Counties Regional Office of Education #27's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Henderson, Mercer and Warren Counties Regional Office of Education #27's internal control over compliance.

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

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

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

Sulaski - Webb

Sulaski and Webb
Certified Public Accountants
Bloomington, Illinois

March 16, 2015

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Section I – Summary of Auditor’s Results

Financial Statements

- (1) An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

- (2) One material weakness identified during the audit of the financial statements is reported in the *Independent Auditor’s 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*.
- (3) No instances of noncompliance material to the financial statements were noted during the audit.

Federal Awards

- (4) No material weaknesses or significant deficiencies in internal control over major federal programs were identified during the audit and reported in the *Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133*.
- (5) An unmodified opinion was issued on compliance with requirements applicable to each major federal program.
- (6) No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 were disclosed during the audit.
- (7) The major program was as follows:
- CFDA Number 84.287C – Title IV – 21st Century Community Learning Centers
- (8) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (9) Henderson, Mercer and Warren Counties Regional Office of Education #27 was not determined to be a low-risk auditee.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Section II – Financial Statement Findings

Finding No. 2014-001
Repeated from 13-001,
12-1, 11-1, 10-1, 09-1,
08-1 and 07-1

Controls Over Financial Statement Preparation

Criteria/Specific Requirement:

The Henderson, Mercer and Warren Counties Regional Office of Education #27 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office of Education #27's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments* (Statement), requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental funds balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in 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 #27 does not have sufficient internal controls over the financial reporting process. The Regional Office of Education #27 maintains its accounting records on the cash basis of accounting during the fiscal year. While the Regional Office of Education #27 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 #27's financial information prepared by the Regional Office of Education #27, auditors noted there were not 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, not all entries were provided to reconcile the Regional Office of Education #27's grant activity, such as posting grant receivables and unearned revenue.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Section II – Financial Statement Findings - Continued

Finding No. 2014-001
Repeated from 13-001,
12-1, 11-1, 10-1, 09-1,
08-1 and 07-1

Controls Over Financial Statement Preparation - Continued

Effect:

The Regional Office of Education #27 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 #27 management, they did not have adequate funding to hire and/or train their accounting personnel in order to maintain a system of internal control over the preparation of financial statements in accordance with GAAP.

Auditor's Recommendation:

As part of internal control over the preparation of financial statements, the Regional Office of Education #27 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 #27's activities and operations.

Management's Response:

The Regional Office of Education #27 understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office management is currently confident with the accounting staff and the preparation of financial information. When fiscally possible, additional training will be pursued.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Section III – Federal Award Findings

INSTANCES OF NONCOMPLIANCE:

None

SIGNIFICANT DEFICIENCIES:

None

MATERIAL WEAKNESSES:

None

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

CORRECTIVE ACTION PLAN FOR
CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2014

Corrective Action Plan

Finding No. 2014-001

Condition: The Regional Office of Education #27 does not have sufficient internal controls over the financial reporting process. The Regional Office of Education #27 maintains its accounting records on the cash basis of accounting during the fiscal year. While the Regional Office of Education #27 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 #27's financial information prepared by the Regional Office of Education #27, auditors noted there were not 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, not all entries were provided to reconcile the Regional Office of Education #27's grant activity, such as posting grant receivables and unearned revenue.

Plan: The Regional Office of Education #27 understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office management is currently confident with the accounting staff and the preparation of financial information. When fiscally possible, additional training will be pursued.

Completion Date: As soon as possible

Contact Person: Jodi Scott, Regional Superintendent

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2014

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
2013-001	The ROE did not have sufficient internal controls over the financial reporting process.	Repeated as Finding 2014-001
2013-002	The ROE did not have adequate controls over capital assets.	Not Repeated.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014

The Henderson, Mercer and Warren Counties Regional Office of Education #27 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended on June 30, 2014 with comparative information for the year ended June 30, 2013. Readers are encouraged to consider the information in conjunction with the Regional Office's financial statements that follow.

2014 Financial Highlights

- Within the Governmental Funds, the General Fund revenues increased by \$55,724 (7%) from \$834,057 in fiscal year 2013 to \$889,781 in fiscal year 2014. General Fund expenditures increased by \$47,507 (7%) from \$716,159 in fiscal year 2013 to \$763,666 in fiscal year 2014.
- Within the Governmental Funds, the Special Revenue Fund revenue increased by \$56,149 (4%) from \$1,518,972 in fiscal year 2013 to \$1,575,121 in fiscal year 2014. The Special Revenue Fund expenditures increased by \$45,729 (3%) from \$1,523,606 in fiscal year 2013 to \$1,569,335 in fiscal year 2014.
- The Enterprise Fund revenue decreased by \$21,268 (57%) from \$37,619 in fiscal year 2013 to \$16,351 in fiscal year 2014. The Enterprise Fund expenditures decreased by \$15,897 (37%) from \$42,819 in fiscal year 2013 to \$26,922 in fiscal year 2014.
- The Regional Office of Education # 27 has no long term debt.

Using This Report

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

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

The Statement of Net Position and the Statement of Activities

The Government-wide statements report information about the Regional Office of Education #27 as a whole. The Statement of Net Position includes all of the assets, deferred outflows, liabilities, and deferred inflows. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid, using accounting methods similar to those used by private sector companies.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014

The Statement of Net Position and the Statement of Activities (Continued)

The Government-wide statements report the Regional Office's net position and how it has changed. Net position - the difference between the assets/deferred outflows and liabilities/deferred inflows - is one way to measure the Regional Office's financial health or position.

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

The Government-wide financial statements present the Regional Office's activities as both governmental and business-type activities. Local, state and federal aid finance most of these activities.

Fund Financial Statements

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

The Office has three kinds of funds:

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

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 activities where the Regional Office charges customers for services. These funds are most similar to a business that operates for a profit. The Regional Office has one enterprise fund, the Staff Development Fund.

The proprietary fund required financial statements include a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows.

- 3) Fiduciary funds are used to account for assets held by the Regional Office in a custodial nature and do not involve measurement of results of operations.

The fiduciary fund required financial statement is a Statement of Fiduciary Net Position.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014

Fund Financial Statements (Continued)

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

Government-Wide Financial Analysis

As noted earlier, net position may serve, when examined over time, as one indicator of the financial position of the Regional Office. The net position at the end of fiscal year 2014 totaled \$1,202,832. At the end of fiscal year 2013, the net position was \$1,071,878. The analysis that follows provides a summary of the Regional Office's net position as of June 30, 2014 and June 30, 2013, for the governmental and business-type activities.

CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current assets	\$ 1,247,965	\$ 1,066,575	\$ 45,312	\$ 55,883	\$ 1,293,277	\$ 1,122,458
Capital assets	5,541	6,807	-	-	5,541	6,807
Total assets	<u>1,253,506</u>	<u>1,073,382</u>	<u>45,312</u>	<u>55,883</u>	<u>1,298,818</u>	<u>1,129,265</u>
Total deferred outflows	-	-	-	-	-	-
Current liabilities	95,986	57,387	-	-	95,986	57,387
Total liabilities	<u>95,986</u>	<u>57,387</u>	<u>-</u>	<u>-</u>	<u>95,986</u>	<u>57,387</u>
Total deferred inflows	-	-	-	-	-	-
Net position:						
Net investment						
in capital assets	5,541	6,807	-	-	5,541	6,807
Unrestricted	987,932	869,882	45,312	55,883	1,033,244	925,765
Restricted for educational purposes	164,047	139,306	-	-	164,047	139,306
Total net position	<u>\$ 1,157,520</u>	<u>\$ 1,015,995</u>	<u>\$ 45,312</u>	<u>\$ 55,883</u>	<u>\$ 1,202,832</u>	<u>\$ 1,071,878</u>

The Regional Office's governmental activities net position increased by \$141,525 from fiscal year 2013. This increase is primarily due to increases in overall cash and the General Fund's due from other governmental units.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014

Government-Wide Financial Analysis (Continued)

The Regional Office's business-type activities net position decreased by \$10,571 from fiscal year 2013. This decrease is due primarily to a decrease in revenues due to fewer training classes held because Districts have become their own staff development "Approved Provider". Also, Districts have limited funds to send teachers to classes out of district and provide substitutes during their absence. In addition, grants often pay for the workshops making them free to teachers to attend.

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues						
Charges for services	\$ -	\$ -	\$ 16,351	\$ 37,619	\$ 16,351	\$ 37,619
Operating grants	1,769,971	1,665,908	-	-	1,769,971	1,665,908
General revenues						
Local sources	295,721	330,852	-	-	295,721	330,852
State sources	637	637	-	-	637	637
Investment earnings	2,576	2,398	-	-	2,576	2,398
On behalf payments	406,887	353,234	-	-	406,887	353,234
Total revenues	<u>2,475,792</u>	<u>2,353,029</u>	<u>16,351</u>	<u>37,619</u>	<u>2,492,143</u>	<u>2,390,648</u>
Expenses:						
Program expenses						
Salaries and benefits	1,091,606	942,297	-	-	1,091,606	942,297
Purchased services	243,490	234,958	26,330	39,980	269,820	274,938
Supplies and materials	92,012	119,848	592	2,839	92,604	122,687
Payments to other governments	499,006	587,440	-	-	499,006	587,440
Capital outlay	-	1,988	-	-	-	1,988
Depreciation	1,266	1,266	-	-	1,266	1,266
Administrative expenses						
On-behalf payments - State	406,887	353,234	-	-	406,887	353,234
Total expenses	<u>2,334,267</u>	<u>2,241,031</u>	<u>26,922</u>	<u>42,819</u>	<u>2,361,189</u>	<u>2,283,850</u>
Change in net position	<u>141,525</u>	<u>111,998</u>	<u>(10,571)</u>	<u>(5,200)</u>	<u>130,954</u>	<u>106,798</u>
Net position, beginning of year, as originally reported	1,015,995	895,426	55,883	61,083	1,071,878	956,509
Prior period adjustment	-	8,571	-	-	-	8,571
Net position, beginning of year, as restated	<u>1,015,995</u>	<u>903,997</u>	<u>55,883</u>	<u>61,083</u>	<u>1,071,878</u>	<u>965,080</u>
Net position, end of year	<u>\$ 1,157,520</u>	<u>\$ 1,015,995</u>	<u>\$ 45,312</u>	<u>\$ 55,883</u>	<u>\$ 1,202,832</u>	<u>\$ 1,071,878</u>

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014

Governmental Activities

Revenues for governmental activities were \$2,475,792 and expenses were \$2,334,267 for the year ended June 30, 2014. Revenues for governmental activities were \$2,353,029 and expenses were \$2,241,031 for the year ended June 30, 2013. The increase in revenues and expenditures for governmental activities are both primarily due to additional Title IV 21st Century Community Learning Centers and Early Childhood Block Grant funding, as well as increased on-behalf payments.

Financial analysis of the Henderson, Mercer and Warren Counties Regional Office of Education #27 Funds

As previously noted, the Henderson, Mercer and Warren Counties Regional Office of Education #27 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency's Governmental Funds reported combined fund balances of \$1,141,089 at June 30, 2014 compared to fiscal year 2013's ending fund balance of \$1,009,188. This increase in combined fund balances is due to the above mentioned changes with the Title IV 21st Century Community Learning Centers and Early Childhood Block Grant funding.

Budgetary Highlights

The Henderson, Mercer and Warren Counties Regional Office of Education #27 annually adopts budgets for several funds. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the Henderson, Mercer and Warren Counties Boards for their approval. The Office Operations Budget covers a fiscal year that runs from December 1 to November 30. All grant budgets are prepared by the Henderson, Mercer and Warren Counties Regional Office of Education #27 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency. Schedules showing the budget amounts compared to the Regional Office's actual financial activity are included in the supplementary information of this report.

Capital Assets

As of June 30, 2014, the Henderson, Mercer and Warren Counties Regional Office of Education #27's total capital assets were \$8,864, comprised of equipment. There were no additions or disposals of capital assets from the previous year. Total accumulated depreciation as of June 30, 2014 was \$3,323 and total depreciation expense for the year was \$1,266, resulting in total net capital assets of \$5,541.

Additional information on the Regional Office's capital assets can be found in Note 7 on page 48 of this report.

Economic Factors

At the time these financial statements were prepared and audited, the Henderson, Mercer and Warren Counties Regional Office of Education #27 was aware of several existing circumstances that could affect its financial health in the future:

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014

Economic Factors (Continued)

- Both the 3-5 Early Childhood Grant and the 0-3 Early Childhood Grant are continuing for FY15.
- Only one 21st Century Community Learning Centers grant, United High School, continues for FY15. However, two new 21st Century grants have been written and expecting notification in November.
- State and Federal funding for the Alternative and Safe School will have an approximate 3.7% increase in total funding for FY15, but will still rely on the State Aid funds generated by the school to supplement salaries and operational expenses.
- High Roads will be increased by 3.3% for FY15.
- A five year Foundational Services Statewide System of Support grant has been awarded to all ROE's.
- ROE #27 became the Administrative Agent for the Secretary of State Family Literacy grant for FY15. Previously, we had been a contractual partner with Carl Sandburg College.
- Another factor regarding the economic stability of this office is the July 1, 2015 consolidation with Knox County. It is uncertain at this time how, and which, grants will be written for the consolidated ROE and how the County Budget will be increased.

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 to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the Henderson, Mercer and Warren Counties Regional Office of Education #27 at 105 North E Street, Suite 1, Monmouth, Illinois 61462.

BASIC FINANCIAL STATEMENTS

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 STATEMENT OF NET POSITION
 June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,095,169	\$ 43,868	\$ 1,139,037
Due from other governments	152,796	1,444	154,240
Total Current Assets	1,247,965	45,312	1,293,277
Noncurrent Assets:			
Capital assets, net of depreciation	5,541	-	5,541
Total Noncurrent Assets	5,541	-	5,541
TOTAL ASSETS	1,253,506	45,312	1,298,818
DEFERRED OUFLOWS OF RESOURCES	-	-	-
LIABILITIES			
Current Liabilities:			
Payroll liabilities	77	-	77
Due to other governments	95,909	-	95,909
TOTAL LIABILITIES	95,986	-	95,986
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION			
Net investment in capital assets	5,541	-	5,541
Unrestricted	987,932	45,312	1,033,244
Restricted for educational purposes	164,047	-	164,047
TOTAL NET POSITION	\$ 1,157,520	\$ 45,312	\$ 1,202,832

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

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
Instructional Services:						
Salaries and benefits	\$ 1,091,606	\$ -	\$ 952,880	\$ (138,726)	\$ -	\$ (138,726)
Purchased services	243,490	-	113,532	(129,958)	-	(129,958)
Supplies and materials	92,012	-	81,975	(10,037)	-	(10,037)
Payments to other governments	499,006	-	505,652	6,646	-	6,646
Capital outlay	-	-	-	-	-	-
Depreciation	1,266	-	-	(1,266)	-	(1,266)
Administrative:						
On-behalf payments-State	406,887	-	115,932	(290,955)	-	(290,955)
Total governmental activities	<u>2,334,267</u>	<u>-</u>	<u>1,769,971</u>	<u>(564,296)</u>	<u>-</u>	<u>(564,296)</u>
Business-type activities:						
Staff Development	26,922	16,351	-	-	(10,571)	(10,571)
Total business-type activities	<u>26,922</u>	<u>16,351</u>	<u>-</u>	<u>-</u>	<u>(10,571)</u>	<u>(10,571)</u>
Total primary government	<u>\$ 2,361,189</u>	<u>\$ 16,351</u>	<u>\$ 1,769,971</u>	<u>(564,296)</u>	<u>(10,571)</u>	<u>(574,867)</u>
General revenues:						
Local sources				295,721	-	295,721
State sources				637	-	637
Investments earnings				2,576	-	2,576
On-behalf payments				406,887	-	406,887
Total general revenues				<u>705,821</u>	<u>-</u>	<u>705,821</u>
Change in net position				<u>141,525</u>	<u>(10,571)</u>	<u>130,954</u>
Net position - beginning				<u>1,015,995</u>	<u>55,883</u>	<u>1,071,878</u>
Net position - ending				<u>\$ 1,157,520</u>	<u>\$ 45,312</u>	<u>\$ 1,202,832</u>

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

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2014

	General Fund	Education Fund	Other Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 865,865	\$ 196,752	\$ 32,552	\$ 1,095,169
Due from other funds	69,209	-	-	69,209
Due from other governments	75,447	77,349	-	152,796
Total assets	<u>1,010,521</u>	<u>274,101</u>	<u>32,552</u>	<u>1,317,174</u>
DEFERRED OUTFLOWS OF RESOURCES				
	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
	<u>\$ 1,010,521</u>	<u>\$ 274,101</u>	<u>\$ 32,552</u>	<u>\$ 1,317,174</u>
LIABILITIES				
Payroll liabilities	\$ 37	\$ 40	\$ -	\$ 77
Due to other funds	22,552	40,702	5,955	69,209
Due to other governments	-	95,909	-	95,909
Total liabilities	<u>22,589</u>	<u>136,651</u>	<u>5,955</u>	<u>165,195</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	10,890	-	10,890
FUND BALANCES				
Restricted	-	160,627	32,552	193,179
Assigned	43,492	-	-	43,492
Unassigned	944,440	(34,067)	(5,955)	904,418
Total fund balances	<u>987,932</u>	<u>126,560</u>	<u>26,597</u>	<u>1,141,089</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
	<u>\$ 1,010,521</u>	<u>\$ 274,101</u>	<u>\$ 32,552</u>	<u>\$ 1,317,174</u>

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

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 GOVERNMENTAL FUNDS
 June 30, 2014

Total fund balances - governmental funds	\$ 1,141,089
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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.	5,541
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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.	10,890
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Net position of governmental activities	<u><u>\$ 1,157,520</u></u>
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The notes to the financial statements are an integral part of this statement.

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2014

	General Fund	Education Fund	Other Non-Major Funds	Total Governmental Funds
Revenues				
Local sources	\$ 283,399	\$ -	\$ 12,322	\$ 295,721
State sources	196,923	1,017,518	637	1,215,078
Federal sources	-	544,640	-	544,640
Interest	2,572	-	4	2,576
On-behalf payments from State	406,887	-	-	406,887
Total revenues	889,781	1,562,158	12,963	2,464,902
Expenditures				
Instructional services:				
Salaries and benefits	185,301	906,305	-	1,091,606
Purchased services	145,883	84,924	12,683	243,490
Supplies and materials	25,595	65,850	567	92,012
Payments to other governments	-	499,006	-	499,006
On-behalf payments	406,887	-	-	406,887
Total expenditures	763,666	1,556,085	13,250	2,333,001
Excess/(Deficiency) of revenues over (under) expenditures	126,115	6,073	(287)	131,901
Other financing sources (uses)				
Transfers in	47,507	8,065	-	55,572
Transfers out	(55,572)	-	-	(55,572)
Total other financing sources (uses)	(8,065)	8,065	-	-
Net change in fund balances	118,050	14,138	(287)	131,901
Fund balances, beginning of year	869,882	112,422	26,884	1,009,188
Fund balances, end of year	\$ 987,932	\$ 126,560	\$ 26,597	\$ 1,141,089

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

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2014

Net change in fund balances	\$ 131,901
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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, if the cost of those assets exceeds \$5,000, it is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(1,266)
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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.

Current year unavailabe revenue	10,890
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Change in net position of governmental activities	<u>\$ 141,525</u>
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The notes to the financial statements are an integral part of this statement.

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 STATEMENT OF NET POSITION
 PROPRIETARY FUND
 June 30, 2014

		<u>Enterprise Fund</u> <u>Staff</u> <u>Development</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$	43,868
Due from other governments		<u>1,444</u>
Total Assets		<u>45,312</u>
 NET POSITION		
Unrestricted		<u>45,312</u>
Total Net Position	\$	<u><u>45,312</u></u>

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

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 For the Year Ended June 30, 2014

	<u>Enterprise Fund Staff Development</u>
OPERATING REVENUES:	
Charges for services	\$ 16,351
Total operating revenues	<u>16,351</u>
OPERATING EXPENSES:	
Purchased services	26,330
Supplies and materials	<u>592</u>
Total operating expenses	<u>26,922</u>
Change in net position	(10,571)
NET POSITION - BEGINNING OF YEAR	<u>55,883</u>
NET POSITION - END OF YEAR	<u><u>\$ 45,312</u></u>

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

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 For the Year Ended June 30, 2014

	Enterprise Fund <u>Staff</u> <u>Development</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from other funds for goods and services provided	\$ 14,907
Payments to suppliers and providers of goods and services	<u>(26,922)</u>
Net cash provided by (used for) operating activities	<u>(12,015)</u>
Net increase (decrease) in cash and cash equivalents	(12,015)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>55,883</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 43,868</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:	
Operating income (loss)	\$ (10,571)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase)/decrease in due from other governments	<u>(1,444)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u><u>\$ (12,015)</u></u>

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

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 June 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ -</u>
Total Assets	<u><u>\$ -</u></u>
LIABILITIES	
Due to other agencies	<u>\$ -</u>
Total Liabilities	<u><u>\$ -</u></u>

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

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Henderson, Mercer and Warren Counties Regional Office of Education #27 (ROE) conform to accounting principles generally accepted in the United States of America for governmental entities. The following is a summary of the significant accounting policies.

The Regional Superintendent is responsible for supervision and control of school districts within Henderson, Mercer and Warren Counties. This includes all aspects of supervision, reports and financial accounting of districts which are considered by state law to be in the Service Region. In addition, the Regional Superintendent is charged with responsibility for township fund lands; registration of the names of applicants for scholarships to state controlled universities; examinations and related duties; visitation of public schools; direction of teachers and school officers; to serve as the official advisor and assistant of school officers and teachers, to conduct teachers institutes as well as to aid and encourage the formation of other teachers meetings and assist in their management; evaluate the schools in Henderson, Mercer and Warren Counties; examine evidence of indebtedness; file and keep the returns of elections required to be returned to the Regional Superintendent's office; and file and keep the reports and statements returned by school treasurers and trustees.

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

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

The Regional Superintendent is also responsible for apportionment and payment of funds received from the state for the districts in Henderson, Mercer and Warren Counties or see 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, Henderson, Mercer and Warren Counties Regional Office of Education #27 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 Henderson, Mercer and Warren Counties. Such activities are reported as a single special revenue fund (Education Fund).

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REPORTING ENTITY

The ROE's reporting entity includes all related organizations for which it exercises oversight responsibility.

The ROE has developed criteria to determine whether outside agencies with activities which benefit the citizens of the region should be included within its financial reporting entity. The criteria include, but are not limited to, whether the ROE 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 ROE has determined that no other outside agency meets any of the above criteria and, therefore, no other agency has been included as a component unit in the financial statements. In addition, the ROE is not aware of any entity which would exercise such oversight as to result in the ROE being considered a component of the entity.

BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government.

The Statement of Net Position presents the Henderson, Mercer and Warren Counties Regional Office of Education #27 nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as 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 to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

The statements are separated by governmental and business-type activities. The only business-type activity for the ROE is the Staff Development Fund, which accounts for fees that are charged for the development of staff for educators in west central Illinois.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Fund Financial Statements – The accounts of the ROE are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprised of its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. The ROE's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the ROE are financed. The acquisition, use, and balances of the ROE's expendable financial resources and the related current liabilities are accounted for through Governmental Funds. The ROE's major Governmental Funds include the following:

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

ROE #27 Fund – This fund accounts for monies received for and in payment of expenditures in connection with general administrative activities.

General State Aid – To account for the administration of monies to be received for, and payment of, expenditures for the Progressive Alternative Secondary School.

Even Start Local – To account for local grant monies received for, and payment of, expenditures incurred for the Even Start program.

High Roads Youth Program – To account for the grant monies received for, and payment of, expenditures incurred for the High Roads Youth Program.

Incoming Freshman Academy – To account for the grant monies received for, and payment of, expenditures incurred for the Incoming Freshman Academy Program.

American College Test (ACT) Class – To account for the administration of classes to prepare students for the ACT.

Criminal Background Investigation – To account for the assessments received from the school districts to pay for the processing of background checks of substitute teachers and expenditures incurred providing this service to the school districts.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Education Fund – The Education 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:

McDonough/Hancock ROE Homeless Grant – To account for grant monies received for, and payment of, expenditures incurred for the Homeless Grant from the McDonough/Hancock ROE.

ROE/ISC Operations – To account for grant monies received for, and payment of, expenditures incurred to conduct professional development programs.

Early Childhood - Block Grant – To account for the grant monies received for, and payment of, expenditures incurred for the Early Childhood Block Grant.

Early Childhood – Monitoring – To account for the grant monies received for, and payment of, expenditures incurred for the Early Childhood – Monitoring Grant.

Gifted Education – To account for the grant monies received for, and payment of, expenditures incurred for the Gifted Education Grant.

Workforce Investment – To account for the funds received from the Workforce Investment Office of Western Illinois to assist economically disadvantaged youth in finding the appropriate services needed to remove barriers to successful participation in employment.

Title IV 21st Century Community Learning Centers – To create community learning centers that provide academic enrichment opportunities for children, particularly students who attend high-poverty and low-performing schools, to meet State and local student standards in core academic subjects, to offer students a broad array of enrichment activities that can complement their regular academic programs, and to offer literacy and other educational services to the families of participating children.

Title I Grant to Local Educational Agency Part A – To account for the monies received for, and payment of, expenditures incurred for the Title I Local Educational Agency Part A Grant.

Title II Teacher Quality Leadership – To account for the monies received for, and payment of, expenditures incurred for the Title II Teacher Quality Leadership Program.

Title I School Improvement and Accountability Part A – SSOS – To account for the monies received for, and payment of, expenditures incurred for the Title I School Improvement and Accountability Part A – SSOS Program.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Progressive Alternative Secondary School (P.A.S.S.) – To account for the administration of monies used for the following sources:

ARRA – Education Jobs - To account for grant monies received for, and payment of, expenditures for activities to save or create education jobs during the 2010-2011 school year.

Adult Education and Family Literacy – State Basic – To account for grant monies received for, and payment of, expenditures incurred for students in high school, General Educational Development, and computer classes with high reading level.

Adult Education and Family Literacy – State Performance – To account for grant monies for formula-driven rewards for successful completion of the program.

Adult Education and Family Literacy – Public Assistance – To account for grant monies received from the Department of Human Services for expenditures incurred for educational services given for students on public assistance.

Regional Safe Schools – To account for the administration of monies to be used for the Regional Safe Schools Program funded by the Illinois State Board of Education.

Federal Adult Education - Basic – To account for federal grant monies received for, and payment of, education and literacy for adults.

Title II – Teacher Quality – To account for grant monies received to assist school districts in educating school staff in the use of technology and telecommunications in instructional and administrative functions.

State Free Lunch and Breakfast – To account for grant monies received for, and payment of, expenditures for the State Free Lunch and Breakfast Program.

National School Lunch Program – To account for grant monies received for, and payment of, expenditures for the National School Lunch Program.

School Breakfast Program – To account for grant monies received for, and payment of, expenditures for the School Breakfast Program.

The ROE also reports the following non-major governmental funds:

Non-Major Special Revenue Funds – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The ROE's non-major special revenue funds include the following:

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

General Education Development (GED) Fund – To account for the revenues and expenditures associated with the processing of applications for the high school level GED test and the issuance of diplomas upon successful completion of the examination.

Bus Driver Training – To account for the stewardship of the assets held in trust in connection with the Bus Driver Training Program.

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

Proprietary Fund Types

Enterprise Fund – Used to account for resources from fees charged directly to those entities or individuals that use the services of the ROE. This consists mainly of monies received for, and payment of, expenditures for workshops and other services for the school districts. The ROE's enterprise funds include the following:

Staff Development – To account for local revenues and disbursements related to the development of staff.

Fiduciary Fund Types

Agency Fund – Used to account for assets held by the ROE in a trustee capacity or as an agent for individuals and private or governmental organizations. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The ROE has the following Agency Funds:

County Sales Facility Tax - To account for a retailers' occupation tax and a service occupation tax at a rate of 1% to be used exclusively for school facility purposes. Funds are passed through the ROE to the local school districts.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Accounting records are maintained on the cash basis of accounting. Under this method, revenue is recorded when collected and expenditures are recorded when disbursements are made. The financial statements of the Henderson, Mercer and Warren Counties Regional Office of Education #27 are prepared by making memorandum adjusting entries to the cash basis financial records.

The government-wide financial statements and the proprietary fund 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 provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., 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. For this purpose, the ROE considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues received more than sixty 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 under the modified accrual basis of accounting when the related fund liability is incurred.

Under the terms of grant agreements, Henderson, Mercer and Warren Counties Regional Office of Education #27 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 sources available to finance the program. It is the Henderson, Mercer and Warren Counties Regional Office of Education #27's policy to first apply restricted funds, then unrestricted. For unrestricted fund balance, committed funds are used first, then assigned funds, then unassigned if any.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency's enterprise fund is charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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:

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUND BALANCES (Continued)

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, in either form or through legal restrictions. There are no accounts presenting a nonspendable fund balance.

Restricted Fund Balance – the portion of a Governmental Fund’s net position that is subject to external enforceable legal restrictions. The following accounts fund balances are restricted by grant agreements or contracts: McDonough/Hancock ROE Homeless Grant, Early Childhood – Block Grant, Gifted Education, Workforce Investment, Title IV 21st Century Community Learning Centers, Title I Grant to Local Educational Agency Part A, Adult Education and Family Literacy – Public Assistance, Regional Safe Schools, Federal Adult Education – Basic, Title II Teacher Quality, and National School Lunch Program. The following funds are restricted by Illinois Statute: Bus Driver Training and Institute.

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

Assigned Fund Balance – the portion of a Governmental Fund’s net position to denote an intended use of resources. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The accounts presenting an assigned fund balance are Even Start Local, High Roads Youth Program, American College Test Class, and Criminal Background Investigation.

Unassigned Fund Balance – available expendable financial resources in a governmental fund that are not designated for a specific purpose. The unassigned fund balance is made up of ROE #27 Fund and General State Aid, and the negative fund balances for Incoming Freshman Academy, ROE/ISC Operations, Title II Teacher Quality Leadership, Title I School Improvement and Accountability Part A – SSOS, ARRA – Education Jobs, Adult Education and Family Literacy – State Basic, Adult Education and Family Literacy – State Performance, and General Education Development.

NET POSITION

Equity is classified as net position. Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources and is displayed in three components:

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

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET POSITION (Continued)

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

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, gains, losses, and other changes in fund balance during the reporting period. Actual results could differ from those estimates.

BUDGETS

The ROE does not adopt a formal budget for all revenues and expenditures of the governmental funds and is not legally required to do so. The Regional Office of Education Funds are controlled by the Regional Superintendent of Education and the State of Illinois. Certain programs administered by the ROE are subject to budget approval by the State of Illinois. The actual to budget comparisons are prepared on the modified accrual basis of accounting. The following accounts/funds prepare budgets:

Educational Grants:

- McDonough/Hancock ROE Homeless Grant
- ROE/ISC Operations
- Early Childhood - Block Grant
- Title IV 21st Century Community Learning Centers
- Title II – Teacher Quality – Leadership
- Title I School Improvement and Accountability Part A – SSOS
- Adult Education and Family Literacy – State Basic
- Adult Education and Family Literacy – State Performance
- Adult Education and Family Literacy – Public Assistance
- Regional Safe Schools
- Federal Adult Education – Basic
- Title II – Teacher Quality

TEACHER CERTIFICATION

Teacher certification revenues are recognized over a five year period when applicable.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUES – EXCHANGE AND NON-EXCHANGE TRANSACTIONS

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

Non-exchange transactions, in which the ROE receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the ROE must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the ROE on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

CAPITAL ASSETS

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position. Purchases of equipment are recorded as capital outlay expenditures of the various funds. All capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. Capital assets are defined as assets with a cost of \$5,000 or more. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. The ROE's capital asset is depreciated over its useful life, which is estimated to be 7 years, using the straight-line method.

UNEARNED REVENUES

The ROE reports unearned revenue in the governmental fund Balance Sheet. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period.

CASH AND CASH EQUIVALENTS

The ROE considers all investments with a maturity of three months or less when purchased to be cash equivalents.

REVENUES FROM FEDERAL AND STATE GRANTS

Revenues from federal and state grant awards are recorded net of the amount due to the State for the unused portion of the grant or the amount carried over to the following fiscal year project. Amounts due to the state or carried over to the following year project are recorded as liabilities.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DUE FROM OTHER GOVERNMENTAL UNITS AND AGENCIES

Due from other governmental units and agencies is reported at gross with no allowance for uncollectibles since management feels the amount of any uncollectible accounts is immaterial.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The ROE did not report any deferred outflows of resources at June 30, 2014.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The ROE has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. At June 30, 2014, the governmental funds report unavailable revenues from the Title I School Improvement and Accountability Part A – SSOS Education fund.

ACCUMULATED UNPAID VACATION AND SICK PAY

Sick pay must be accumulated but does not vest with the employee. Vacation time must be used during the calendar year earned or it is forfeited. Any accruals as of June 30 are considered immaterial.

INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds and are classified as “due to and from other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NEW ACCOUNTING STANDARDS

In fiscal year 2014, the ROE 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 ROE implemented these standards during the current year; however, GASB Statements No. 66, 67, and 70 did not have a material impact on the financial statements. The implementation of GASB Statement No. 65 established accounting and financial reporting standards that reclassify and recognize, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

2. INTERGOVERNMENTAL AGREEMENT

Henderson, Mercer and Warren Counties Regional Office of Education #27 entered into an Intergovernmental Agreement with Rock Island Regional Office of Education #49 executed pursuant to the provisions of the Intergovernmental Cooperation Clause of the Illinois Constitution as well as the provisions of the Intergovernmental Cooperation Act of 1973 and the Illinois Admin. Code 525.110. Per this agreement, ROE #27 collaborated their ROE/ISC FY2014 School Services Fund with ROE #49. ROE #27 received the entire amount of funding from the Illinois State Board of Education and then forwarded ROE #49's agreed-upon allotment, \$8,196, to that ROE. This is recorded as a payment to other governments within the ROE/ISC Operations fund on ROE #27's Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.

3. CASH

State regulations require that the ROE deposit funds under its control into accounts insured by the federal government, secured by substantial collateral or into pooled investment trusts. All funds not needed for immediate disbursements are maintained in interest bearing accounts. The *Illinois Compiled Statutes* authorize the ROE 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 Public Treasurer's Investment Pool.

At June 30, 2014, the carrying amount of the ROE's various bank deposits totaled \$1,139,037 and the bank balances totaled \$1,266,036. Included in the bank balance is \$27,678 deposited in the Illinois Funds. The Illinois Funds portfolio includes: certificates of deposit issued by Illinois financial institutions, repurchase agreements backed by direct treasury obligations from primary government securities dealers, direct treasury obligations of the U.S. Government, and money market funds backed by full faith and credit obligations of the U.S. Government. The ROE owns no identifiable investment securities in the Illinois Funds; therefore, credit risk cannot be assessed for the Illinois Funds.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

CASH (Continued)

Custodial credit risk is the risk that in the event of a bank failure, the ROE's deposits may not be returned to it. The ROE does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$339,469 of the deposits made by the ROE were covered by the Federal Depository Insurance Corporation (FDIC), and the remaining \$926,567 were collateralized by the respective financial institution.

4. RECEIVABLES/PAYABLES

Receivables for the Henderson, Mercer and Warren Counties ROE #27 at June 30, 2014, are as follows:

	<u>Governmental Units</u>	<u>Other</u>	<u>Total</u>
Governmental activities:			
General	\$ 75,447	\$ -	\$ 75,447
Education	77,349	-	77,349
	\$ 152,796	\$ -	\$ 152,796
Business-type activities:			
Staff Development	\$ 1,444	\$ -	\$ 1,444
	\$ 1,444	\$ -	\$ 1,444

Payables for the Henderson, Mercer and Warren Counties ROE #27 at June 30, 2014, are as follows:

	<u>Payroll Liabilities</u>	<u>Due to Other Governments</u>	<u>Total</u>
Governmental activities:			
General	\$ 37	\$ -	\$ 37
Education	40	95,909	95,949
	\$ 77	\$ 95,909	\$ 95,986

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

5. DUE TO/FROM OTHER GOVERNMENTS

The Henderson, Mercer and Warren Counties Regional Office of Education #27's governmental activities and business-type activities have amounts due to and due from various other governmental units which consist of the following:

Due From Other Governmental Units:

Illinois State Board of Education	\$ 57,628
Illinois Community College Board	5,969
Other Regional Office of Education	15,197
Other Governments	<u>75,446</u>
	<u>\$154,240</u>

Due To Other Governmental Units:

Other School Districts	<u>\$ 95,909</u>
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6. INTERFUND TRANSACTIONS

DUE TO/FROM OTHER FUNDS

The Henderson, Mercer and Warren Counties ROE #27 had the following due to/from other fund balances for the year ended June 30, 2014 due to the State of Illinois being slow in paying funds for a couple of the ROE's programs:

	Due from	Due to
General Fund		
ROE #27 Fund	\$ 62,417	\$ -
General State Aid	6,792	-
High Roads Youth Program	-	22,536
Incoming Freshman Academy	-	16
Education Fund		
McDonough/ Hancock ROE Homeless Grant	-	1,331
ROE/ISC Operations	-	21,444
Title II - Teacher Quality - Leadership	-	245
Title I School Improvement & Accountability	-	10,890
ARRA - Education Jobs	-	1,330
Adult Ed - State Basic	-	3,272
Adult Ed - State Performance	-	1,864
Adult Ed - Public Assistance	-	326
Non-Major Special Revenue Fund		
General Education Development	-	5,955
Total	\$ 69,209	\$ 69,209

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

INTERFUND TRANSACTIONS (Continued)

INTERFUND TRANSFERS

During the year ended June 30, 2014, the ROE made transfers between funds to help cover costs of other funds and to properly close inactive funds. The amounts transferred between accounts are shown as transfers in the Statement of Revenues, Expenditures, and Changes in Fund Balances and Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances. The detail of interfund transfers for the year ended June 30, 2014 is as follows:

	Transfers In	Transfers Out
General Fund		
ROE #27 Fund	\$ 47,507	\$ -
General State Aid	-	8,065
Incoming Freshman Academy	-	47,507
Education Fund		
Adult Ed - State Performance	142	-
Adult Ed - Federal Basic	7,923	-
Total	\$ 55,572	\$ 55,572

7. CAPITAL ASSETS

	Balance 7/1/2013	Additions	Disposals	Balance 6/30/2014
Equipment	\$ 8,864	\$ -	\$ -	\$ 8,864
Less accumulated Depreciation	(2,057)	(1,266)	-	(3,323)
Total	\$ 6,807	\$ (1,266)	\$ -	\$ 5,541

All capital assets are reported within the instructional services function of the governmental activities of the ROE. \$1,266 of depreciation expense has been reflected in the Statement of Activities for the year ended June 30, 2014.

8. RETIREMENT PLANS

All certified personnel participate in the Teachers' Retirement System of the State of Illinois (TRS) and the Teacher Health Insurance Security (THIS) Fund. All other employees who meet or exceed prescribed annual hourly standards are enrolled in the Illinois Municipal Retirement Fund (IMRF).

TRS Plan Description

The ROE (employer) 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.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

RETIREMENT PLANS (Continued)

TRS Plan Description (Continued)

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 ROE's TRS-covered employees.

- On behalf Contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the ROE. 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 ROE recognized revenue and expenditures of \$183,926 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 (\$126,804) and 24.91 percent (\$104,148), respectively.

The ROE 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 \$1,946. Contributions for the years ended June 30, 2013 and June 30, 2012, were \$1,552 and \$1,385, respectively.
- Federal and Special Trust Fund Contributions. When TRS members are paid from federal and special trust funds administered by the ROE, there is a statutory requirement for the ROE 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.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

RETIREMENT PLANS (Continued)

TRS Plan Description (Continued)

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 \$93,951 were paid from federal and special trust funds that required employer contributions of \$33,268. For the years ended June 30, 2013 and June 30, 2012, required ROE contributions were \$21,437 and \$18,780, respectively.

- Early Retirement Option (ERO). The ROE 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 ROE paid \$-0- to TRS for employer contributions under the ERO program. For the years ended June 30, 2013 and June 30, 2012, the ROE made no payments under the ERO.

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

For the year ended June 30, 2014, the ROE paid \$-0- to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2013 and June 30, 2012, the ROE paid \$-0- and \$5,755, respectively.

- If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary rate reported by the granting employer during the four-year sick leave review period, and the TRS total normal cost rate (17.29 percent of salary during the year ended June 30, 2014).

For the year ended June 30, 2014, the ROE paid \$-0- to TRS for sick leave days granted in excess of the normal annual allotment. For the years ended June 30, 2013 and June 30, 2012, the ROE paid \$-0- and \$-0-, respectively.

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

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

RETIREMENT PLANS (Continued)

TRS Plan Description (Continued)

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 Web site at <http://trs.illinois.gov>.

Illinois Municipal Retirement Fund

Plan Description. The ROE'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 ROE'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 on-line at www.imrf.org.

Funding Policy. As set by statute, the ROE's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires the ROE 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 11.90 percent. The ROE 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 \$50,084.

Three-Year Trend Information for the Regular Plan

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2013	\$ 50,084	100%	\$ -
12/31/2012	50,919	99%	362
12/31/2011	41,063	88%	4,816

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

RETIREMENT PLANS (Continued)

Illinois Municipal Retirement Fund (Continued)

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 ROE'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 ROE 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.

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the Regular plan was 91.54 percent funded. The actuarial accrued liability for benefits was \$965,749 and the actuarial value of assets was \$884,078, resulting in an underfunded actuarial accrued liability (UAAL) of \$81,671. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$420,873 and the ratio of the UAAL to the covered payroll was 19 percent.

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

9. OTHER POST-EMPLOYMENT BENEFITS

THIS Plan Description

The ROE (employer) participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants 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.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

OTHER POST-EMPLOYMENT BENEFITS (Continued)

THIS Plan Description (Continued)

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.

- On behalf contributions to the THIS Fund. The State of Illinois makes employer retiree health insurance contributions on behalf of the ROE. 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 \$3,254, and the ROE 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, respectively. State contributions on behalf of ROE employees were \$2,462 and \$2,102, respectively.

- Employer contributions to the THIS Fund. The ROE 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 ROE paid \$2,416 to the THIS Fund. For the years ended June 30, 2013 and June 30, 2012, the ROE paid \$1,846 and \$1,576, respectively, which was 100 percent of the required contribution.

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

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

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

10. ON-BEHALF PAYMENTS AND RELATED PARTY TRANSACTIONS

The State of Illinois makes contributions directly to TRS on behalf of the ROE's TRS-covered employees. The salaries, fringe benefits, and TRS contributions of the Regional Superintendent and the Assistant Superintendents are paid by the State of Illinois. The following salary and benefit data for the Regional Superintendent and Assistant Regional Superintendents were calculated based on data provided by the Illinois State Board of Education.

TRS pension contributions	\$ 183,926
THIS contributions	3,254
Regional Superintendent – salary	98,736
Regional Superintendent – benefits (includes State paid insurance)	34,567
Assistant Regional Superintendents – salary	85,169
Assistant Regional Superintendents – benefits (includes State paid insurance)	<u>1,235</u>
Total	<u>\$406,887</u>

11. OTHER DISCLOSURES

Accounting principles generally accepted in the United States of America require disclosure of certain information concerning individual funds (which are presented only in combination on the financial statements). Funds having deficit fund balances and funds which overextended appropriations during the year are required to be disclosed.

A. The following funds/accounts had a deficit fund balance at June 30, 2014.

<u>Fund/Account</u>	<u>Amount</u>
Incoming Freshman Academy	\$ 16
ROE/ISC Operations	21,444
Title II – Teacher Quality Leadership	245
Title I – School Improvement and Accountability Part A - SSOS	10,890
ARRA – Education Jobs	1,330
Adult Education and Family Literacy – State Basic	133
Adult Education and Family Literacy – State Performance	25
General Education Development	5,955

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

OTHER DISCLOSURES (Continued)

B. The following funds had an excess of actual expenditures over budget for the year ended June 30, 2014.

Fund	Budget Amount	Expenditures	Unfavorable Variance
Early Childhood Block Grant	\$ 808,704	\$ 869,992	\$ 61,288
Adult Education & Family Literacy - State Performance	22,068	22,210	142
Federal Adult Education - Basic	33,762	33,936	174

12. OPERATING LEASES

The ROE entered into a lease with Monmouth-Roseville C.U.S.D. #238 for the use of office and classroom space for its main office, Progressive Alternative Secondary School (PASS), and Early Childhood Block Grant Program. The lease term is from July 1, 2012 to June 30, 2015 at a rate of \$2,000 per month. The rent paid for the year ended June 30, 2014 was \$24,000. Future minimum rental payments for the remainder of this lease are \$24,000 for the year ended June 30, 2015.

The ROE entered into a lease with two individuals for the use of commercial business property for the High Roads Youth Program. The lease term was from July 1, 2013 to June 30, 2014 and may be extended for additional terms upon the mutual agreement of both parties. The rent paid for this term was \$6,000.

The ROE rents storage space for its Homeless grant. The rent paid was \$306.

During the year ended June 30, 2014, rentals under lease obligations were \$30,306. However, rent expense for the year ended June 30, 2014 was only \$26,706 due to a regional career and technical education system that rents a portion of the ROE's office space for \$300 a month.

13. REGIONAL OFFICE OF EDUCATION CONSOLIDATION

On November 22, 2013 the Illinois State Board of Education adopted a motion pursuant to its obligation under 105 ILCS 5/3A-4(a), which recognizes consolidations agreed to via county board resolutions. Effective July 1, 2015, the Regional Office of Education #27 will disband and consolidate with Regional Office of Education #33.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

14. PROSPECTIVE ACCOUNTING CHANGE

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

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

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 ILLINOIS MUNICIPAL RETIREMENT FUND
 SCHEDULE OF FUNDING PROGRESS
 June 30, 2014

(Unaudited - See Accompanying Independent Auditor's Report)

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)
12/31/2013	\$ 884,078	\$ 965,749	\$ 81,671	91.54%	\$ 420,873	19.41%
12/31/2012	748,520	872,422	123,902	85.80%	401,887	30.83%
12/31/2011	632,018	765,624	133,606	82.55%	316,841	42.17%

On a market value basis, the actuarial value of assets as of December 31, 2013 is \$1,001,109. On a market basis, the funded ratio would be 103.66%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with Henderson, Mercer and Warren ROE #27. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

SUPPLEMENTARY INFORMATION

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2014

	ROE #27 Fund	General State Aid	Even Start Local	High Roads Youth Program
ASSETS				
Cash and cash equivalents	\$ 129,373	\$ 707,872	\$ 11,833	\$ -
Due from other funds	62,417	6,792	-	-
Due from other governments	38,002	-	-	37,445
Total Assets	<u>229,792</u>	<u>714,664</u>	<u>11,833</u>	<u>37,445</u>
DEFERRED OUTFLOWS OF RESOURCES				
	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
	<u>\$ 229,792</u>	<u>\$ 714,664</u>	<u>\$ 11,833</u>	<u>\$ 37,445</u>
LIABILITIES				
Payroll liabilities	\$ -	\$ -	\$ 37	\$ -
Due to other funds	-	-	-	22,536
Total Liabilities	<u>-</u>	<u>-</u>	<u>37</u>	<u>22,536</u>
DEFERRED INFLOWS OF RESOURCES				
	-	-	-	-
FUND BALANCE (DEFICIT)				
Assigned	-	-	11,796	14,909
Unassigned	229,792	714,664	-	-
Total Fund Balance (Deficit)	<u>229,792</u>	<u>714,664</u>	<u>11,796</u>	<u>14,909</u>
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCE				
	<u>\$ 229,792</u>	<u>\$ 714,664</u>	<u>\$ 11,833</u>	<u>\$ 37,445</u>

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2014

	Incoming Freshman Academy	American College Test (ACT) Class	Criminal Background Investigation	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ 11,314	\$ 5,473	\$ 865,865
Due from other funds	-	-	-	69,209
Due from other governments	-	-	-	75,447
Total Assets	<u>-</u>	<u>11,314</u>	<u>5,473</u>	<u>1,010,521</u>
DEFERRED OUTFLOWS OF RESOURCES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
	<u>\$ -</u>	<u>\$ 11,314</u>	<u>\$ 5,473</u>	<u>\$ 1,010,521</u>
LIABILITIES				
Payroll liabilities	\$ -	\$ -	\$ -	\$ 37
Due to other funds	16	-	-	22,552
Total Liabilities	<u>16</u>	<u>-</u>	<u>-</u>	<u>22,589</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT)				
Assigned	-	11,314	5,473	43,492
Unassigned	(16)	-	-	944,440
Total Fund Balance (Deficit)	<u>(16)</u>	<u>11,314</u>	<u>5,473</u>	<u>987,932</u>
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCE				
	<u>\$ -</u>	<u>\$ 11,314</u>	<u>\$ 5,473</u>	<u>\$ 1,010,521</u>

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
For the Year Ended June 30, 2014

	ROE #27 Fund	General State Aid	Even Start Local	High Roads Youth Program
REVENUES				
Local sources	\$ 106,092	\$ 35,032	\$ 20,159	\$ 110,565
State sources	-	196,923	-	-
Interest	2,572	-	-	-
On-behalf payments from State	284,828	122,059	-	-
Total revenues	<u>393,492</u>	<u>354,014</u>	<u>20,159</u>	<u>110,565</u>
EXPENDITURES				
Salaries and benefits	63,238	40,760	10,844	70,459
Purchased services	70,122	32,444	5,273	29,862
Supplies and materials	5,769	16,447	-	1,873
On-behalf payments	284,828	122,059	-	-
Total expenditures	<u>423,957</u>	<u>211,710</u>	<u>16,117</u>	<u>102,194</u>
Excess (deficiency) of revenues over expenditures	<u>(30,465)</u>	<u>142,304</u>	<u>4,042</u>	<u>8,371</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	47,507	-	-	-
Transfers out	-	(8,065)	-	-
Total other financing sources (uses)	<u>47,507</u>	<u>(8,065)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>17,042</u>	<u>134,239</u>	<u>4,042</u>	<u>8,371</u>
FUND BALANCE AT BEGINNING OF YEAR				
	<u>212,750</u>	<u>580,425</u>	<u>7,754</u>	<u>6,538</u>
FUND BALANCE (DEFICIT) AT END OF YEAR				
	<u>\$ 229,792</u>	<u>\$ 714,664</u>	<u>\$ 11,796</u>	<u>\$ 14,909</u>

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GENERAL FUND ACCOUNTS
 For the Year Ended June 30, 2014

	Incoming Freshman Academy	American College Test (ACT) Class	Criminal Background Investigation	Total
REVENUES				
Local sources	\$ -	\$ 6,750	\$ 4,801	\$ 283,399
State sources	-	-	-	196,923
Interest	-	-	-	2,572
On-behalf payments from State	-	-	-	406,887
Total revenues	-	6,750	4,801	889,781
EXPENDITURES				
Salaries and benefits	-	-	-	185,301
Purchased services	-	4,000	4,182	145,883
Supplies and materials	87	1,419	-	25,595
On-behalf payments	-	-	-	406,887
Total expenditures	87	5,419	4,182	763,666
Excess (deficiency) of revenues over expenditures	(87)	1,331	619	126,115
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	47,507
Transfers out	(47,507)	-	-	(55,572)
Total other financing sources (uses)	(47,507)	-	-	(8,065)
Net change in fund balances	(47,594)	1,331	619	118,050
FUND BALANCE AT BEGINNING OF YEAR	47,578	9,983	4,854	869,882
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (16)	\$ 11,314	\$ 5,473	\$ 987,932

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
 June 30, 2014

	McDonough/ Hancock ROE Homeless Grant	ROE/ISC Operations	Early Childhood - Block Grant	Early Childhood - Monitoring	Gifted Education	Workforce Investment
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ 126,181	\$ 138	\$ 85	\$ 6,962
Due from other governments	2,863	-	55,000	-	-	-
Total Assets	<u>2,863</u>	<u>-</u>	<u>181,181</u>	<u>138</u>	<u>85</u>	<u>6,962</u>
DEFERRED OUTFLOWS OF RESOURCES						
	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
	<u>\$ 2,863</u>	<u>\$ -</u>	<u>\$ 181,181</u>	<u>\$ 138</u>	<u>\$ 85</u>	<u>\$ 6,962</u>
LIABILITIES						
Payroll liabilities	\$ -	\$ -	\$ 40	\$ -	\$ -	\$ -
Due to other funds	1,331	21,444	-	-	-	-
Due to other governments	-	-	95,771	138	-	-
Total Liabilities	<u>1,331</u>	<u>21,444</u>	<u>95,811</u>	<u>138</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	-	-
FUND BALANCE (DEFICIT)						
Restricted	1,532	-	85,370	-	85	6,962
Unassigned	-	(21,444)	-	-	-	-
Total Fund Balance (Deficit)	<u>1,532</u>	<u>(21,444)</u>	<u>85,370</u>	<u>-</u>	<u>85</u>	<u>6,962</u>
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCE						
	<u>\$ 2,863</u>	<u>\$ -</u>	<u>\$ 181,181</u>	<u>\$ 138</u>	<u>\$ 85</u>	<u>\$ 6,962</u>

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
 June 30, 2014

	Title IV 21st Century Community Learning Centers	Title I Grant to Local Educational Agency Part A	Title II Teacher Quality Leadership	Title I School Improvement and Accountability Part A - SSOS	Progressive Alternative Secondary School (P.A.S.S.)	Total
ASSETS						
Cash and cash equivalents	\$ 27,278	\$ 13,464	\$ -	\$ -	\$ 22,644	\$ 196,752
Due from other governments	-	-	-	10,890	8,596	77,349
Total Assets	<u>27,278</u>	<u>13,464</u>	<u>-</u>	<u>10,890</u>	<u>31,240</u>	<u>274,101</u>
DEFERRED OUTFLOWS OF RESOURCES						
	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
	<u>\$ 27,278</u>	<u>\$ 13,464</u>	<u>\$ -</u>	<u>\$ 10,890</u>	<u>\$ 31,240</u>	<u>\$ 274,101</u>
LIABILITIES						
Payroll liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40
Due to other funds	-	-	245	10,890	6,792	40,702
Due to other governments	-	-	-	-	-	95,909
Total Liabilities	<u>-</u>	<u>-</u>	<u>245</u>	<u>10,890</u>	<u>6,792</u>	<u>136,651</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	10,890	-	10,890
FUND BALANCE (DEFICIT)						
Restricted	27,278	13,464	-	-	25,936	160,627
Unassigned	-	-	(245)	(10,890)	(1,488)	(34,067)
Total Fund Balance (Deficit)	<u>27,278</u>	<u>13,464</u>	<u>(245)</u>	<u>(10,890)</u>	<u>24,448</u>	<u>126,560</u>
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCE						
	<u>\$ 27,278</u>	<u>\$ 13,464</u>	<u>\$ -</u>	<u>\$ 10,890</u>	<u>\$ 31,240</u>	<u>\$ 274,101</u>

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 For the Year Ended June 30, 2014

	McDonough/ Hancock ROE Homeless Grant	ROE/ISC Operations	Early Childhood - Block Grant	Early Childhood - Monitoring	Gifted Education	Workforce Investment
REVENUES						
State sources	\$ -	\$ 22,969	\$ 881,288	\$ -	\$ -	\$ -
Federal sources	4,505	-	-	-	-	-
Total revenues	<u>4,505</u>	<u>22,969</u>	<u>881,288</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES						
Salaries and benefits	3,284	13,717	350,343	-	-	-
Purchased services	832	82	33,707	-	-	-
Supplies and materials	-	-	10,191	-	-	-
Payments to other governments	-	8,196	475,751	-	-	-
Total expenditures	<u>4,116</u>	<u>21,995</u>	<u>869,992</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>389</u>	<u>974</u>	<u>11,296</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES:						
Transfers in	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>389</u>	<u>974</u>	<u>11,296</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>1,143</u>	<u>(22,418)</u>	<u>74,074</u>	<u>-</u>	<u>85</u>	<u>6,962</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 1,532</u>	<u>\$ (21,444)</u>	<u>\$ 85,370</u>	<u>\$ -</u>	<u>\$ 85</u>	<u>\$ 6,962</u>

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 For the Year Ended June 30, 2014

	Title IV 21st Century Community Learning Centers	Title I Grant to Local Educational Agency Part A	Title II Teacher Quality Leadership	Title I School Improvement and Accountability Part A - SSOS	Progressive Alternative Secondary School (P.A.S.S.)	Total
REVENUES						
State sources	\$ -	\$ -	\$ -	\$ -	\$ 113,261	\$ 1,017,518
Federal sources	495,158	-	2,651	-	42,326	544,640
Total revenues	<u>495,158</u>	<u>-</u>	<u>2,651</u>	<u>-</u>	<u>155,587</u>	<u>1,562,158</u>
EXPENDITURES						
Salaries and benefits	391,852	-	100	1,250	145,759	906,305
Purchased services	38,319	-	1,220	9,012	1,752	84,924
Supplies and materials	46,388	-	42	628	8,601	65,850
Payments to other governments	15,059	-	-	-	-	499,006
Total expenditures	<u>491,618</u>	<u>-</u>	<u>1,362</u>	<u>10,890</u>	<u>156,112</u>	<u>1,556,085</u>
Excess (deficiency) of revenues over expenditures	<u>3,540</u>	<u>-</u>	<u>1,289</u>	<u>(10,890)</u>	<u>(525)</u>	<u>6,073</u>
OTHER FINANCING SOURCES:						
Transfers in	-	-	-	-	8,065	8,065
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,065</u>	<u>8,065</u>
Net change in fund balances	<u>3,540</u>	<u>-</u>	<u>1,289</u>	<u>(10,890)</u>	<u>7,540</u>	<u>14,138</u>
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>23,738</u>	<u>13,464</u>	<u>(1,534)</u>	<u>-</u>	<u>16,908</u>	<u>112,422</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 27,278</u>	<u>\$ 13,464</u>	<u>\$ (245)</u>	<u>\$ (10,890)</u>	<u>\$ 24,448</u>	<u>\$ 126,560</u>

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 MCDONOUGH/HANCOCK ROE HOMELESS GRANT
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Federal sources	\$ 4,587	\$ 4,587	\$ 4,505	\$ (82)
Total revenues	4,587	4,587	4,505	(82)
EXPENDITURES				
Salaries and benefits	3,283	3,283	3,284	(1)
Purchased services	904	904	832	72
Supplies and materials	400	400	-	400
Total expenditures	4,587	4,587	4,116	471
Excess (deficiency) of revenue over expenditures	\$ -	\$ -	389	\$ 389
FUND BALANCE AT BEGINNING OF YEAR			1,143	
FUND BALANCE AT END OF YEAR			\$ 1,532	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 ROE/ISC OPERATIONS
 For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State sources	\$ 22,969	\$ 22,969	\$ 22,969	\$ -
Total revenues	<u>22,969</u>	<u>22,969</u>	<u>22,969</u>	<u>-</u>
EXPENDITURES				
Salaries and benefits	11,773	11,773	13,717	(1,944)
Purchased services	3,000	3,000	82	2,918
Payments to other governments	8,196	8,196	8,196	-
Total expenditures	<u>22,969</u>	<u>22,969</u>	<u>21,995</u>	<u>974</u>
Excess (deficiency) of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	974	<u>\$ 974</u>
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR			<u>(22,418)</u>	
FUND BALANCE (DEFICIT) AT END OF YEAR			<u>\$ (21,444)</u>	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 EARLY CHILDHOOD-BLOCK GRANT
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
State sources	\$ 808,704	\$ 808,704	\$ 881,288	\$ 72,584
Total revenues	808,704	808,704	881,288	72,584
EXPENDITURES				
Salaries and benefits	272,293	266,593	350,343	(83,750)
Purchased services	34,033	35,733	33,707	2,026
Supplies and materials	12,820	16,820	10,191	6,629
Capital outlay	500	500	-	500
Payments to other governments	489,058	489,058	475,751	13,307
Total expenditures	808,704	808,704	869,992	(61,288)
Excess (deficiency) of revenue over expenditures	\$ -	\$ -	11,296	\$ 11,296
FUND BALANCE AT BEGINNING OF YEAR			74,074	
FUND BALANCE AT END OF YEAR			\$ 85,370	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 TITLE IV 21ST CENTURY COMMUNITY LEARNING CENTERS
 For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal sources	<u>\$ 524,011</u>	<u>\$ 524,011</u>	<u>\$ 495,158</u>	<u>\$ (28,853)</u>
Total revenues	<u>524,011</u>	<u>524,011</u>	<u>495,158</u>	<u>(28,853)</u>
 EXPENDITURES				
Salaries and benefits	420,777	421,777	391,852	29,925
Purchased services	39,733	39,733	38,319	1,414
Supplies and materials	35,801	37,301	46,388	(9,087)
Payments to other governments	<u>27,700</u>	<u>25,200</u>	<u>15,059</u>	<u>10,141</u>
Total expenditures	<u>524,011</u>	<u>524,011</u>	<u>491,618</u>	<u>32,393</u>
Excess (deficiency) of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	3,540	<u>\$ 3,540</u>
 FUND BALANCE AT BEGINNING OF YEAR			<u>23,738</u>	
 FUND BALANCE AT END OF YEAR			<u>\$ 27,278</u>	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 TITLE II - TEACHER QUALITY - LEADERSHIP
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Federal sources	\$ 1,442	\$ 1,442	\$ 2,651	\$ 1,209
Total revenues	1,442	1,442	2,651	1,209
EXPENDITURES				
Salaries and benefits	-	-	100	(100)
Purchased services	1,400	1,400	1,220	180
Supplies and materials	42	42	42	-
Total expenditures	1,442	1,442	1,362	80
Excess (deficiency) of revenue over expenditures	\$ -	\$ -	1,289	\$ 1,289
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR			(1,534)	
FUND BALANCE (DEFICIT) AT END OF YEAR			\$ (245)	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 TITLE I SCHOOL IMPROVEMENT AND ACCOUNTABILITY PART A - SSOS
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Federal sources	\$ 29,340	\$ 29,340	\$ -	\$ (29,340)
Total revenues	29,340	29,340	-	(29,340)
EXPENDITURES				
Salaries and benefits	1,250	1,250	1,250	-
Purchased services	24,340	24,340	9,012	15,328
Supplies and materials	3,750	3,750	628	3,122
Total expenditures	29,340	29,340	10,890	18,450
Excess (deficiency) of revenue over expenditures	\$ -	\$ -	(10,890)	\$ (10,890)
FUND BALANCE AT BEGINNING OF YEAR			-	
FUND BALANCE (DEFICIT) AT END OF YEAR			\$ (10,890)	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING SCHEDULE OF ACCOUNTS
 P.A.S.S. ACCOUNTS
 June 30, 2014

	ARRA - Education Jobs	Adult Education and Family Literacy - State Basic	Adult Education and Family Literacy - State Performance	Adult Education and Family Literacy - Public Assistance	Regional Safe Schools	Federal Adult Education - Basic
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 2,850	\$ 7,701
Due from other governments	-	3,139	1,839	990	2,628	-
Total Assets	<u>-</u>	<u>3,139</u>	<u>1,839</u>	<u>990</u>	<u>5,478</u>	<u>7,701</u>
DEFERRED OUTFLOWS OF RESOURCES						
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
	<u>\$ -</u>	<u>\$ 3,139</u>	<u>\$ 1,839</u>	<u>\$ 990</u>	<u>\$ 5,478</u>	<u>\$ 7,701</u>
LIABILITIES						
Due to other funds	\$ 1,330	\$ 3,272	\$ 1,864	\$ 326	\$ -	\$ -
Total Liabilities	<u>1,330</u>	<u>3,272</u>	<u>1,864</u>	<u>326</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT)						
Restricted	-	-	-	664	5,478	7,701
Unassigned	(1,330)	(133)	(25)	-	-	-
Total Fund Balance (Deficit)	<u>(1,330)</u>	<u>(133)</u>	<u>(25)</u>	<u>664</u>	<u>5,478</u>	<u>7,701</u>
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCE						
	<u>\$ -</u>	<u>\$ 3,139</u>	<u>\$ 1,839</u>	<u>\$ 990</u>	<u>\$ 5,478</u>	<u>\$ 7,701</u>

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING SCHEDULE OF ACCOUNTS
 P.A.S.S. ACCOUNTS
 June 30, 2014

	Title II Teacher Quality	State Free Lunch and Breakfast	National School Lunch Program	School Breakfast Program	Total
ASSETS					
Cash and cash equivalents	\$ 171	\$ 70	\$ 11,842	\$ 10	\$ 22,644
Due from other governments	-	-	-	-	8,596
Total Assets	<u>171</u>	<u>70</u>	<u>11,842</u>	<u>10</u>	<u>31,240</u>
DEFERRED OUTFLOWS OF RESOURCES					
	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
	<u>\$ 171</u>	<u>\$ 70</u>	<u>\$ 11,842</u>	<u>\$ 10</u>	<u>\$ 31,240</u>
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 6,792
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,792</u>
DEFERRED INFLOWS OF RESOURCES					
	-	-	-	-	-
FUND BALANCE (DEFICIT)					
Restricted	171	70	11,842	10	25,936
Unassigned	-	-	-	-	(1,488)
Total Fund Balance (Deficit)	<u>171</u>	<u>70</u>	<u>11,842</u>	<u>10</u>	<u>24,448</u>
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCE					
	<u>\$ 171</u>	<u>\$ 70</u>	<u>\$ 11,842</u>	<u>\$ 10</u>	<u>\$ 31,240</u>

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 P.A.S.S. ACCOUNTS
 For the Year ended June 30, 2014

	ARRA - Education Jobs	Adult Education and Family Literacy - State Basic	Adult Education and Family Literacy - State Performance	Adult Education and Family Literacy - Public Assistance	Regional Safe Schools	Federal Adult Education - Basic
REVENUES						
State sources	\$ -	\$ 37,674	\$ 22,068	\$ 11,885	\$ 41,502	\$ -
Federal sources	-	-	-	-	-	33,553
Total revenues	<u>-</u>	<u>37,674</u>	<u>22,068</u>	<u>11,885</u>	<u>41,502</u>	<u>33,553</u>
EXPENDITURES						
Salaries and benefits	-	37,416	22,210	11,560	40,637	33,936
Purchased services	-	258	-	325	865	-
Supplies and materials	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>37,674</u>	<u>22,210</u>	<u>11,885</u>	<u>41,502</u>	<u>33,936</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(142)</u>	<u>-</u>	<u>-</u>	<u>(383)</u>
OTHER FINANCING SOURCES:						
Transfers in	-	-	142	-	-	7,923
Total other financing sources	<u>-</u>	<u>-</u>	<u>142</u>	<u>-</u>	<u>-</u>	<u>7,923</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,540</u>
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>(1,330)</u>	<u>(133)</u>	<u>(25)</u>	<u>664</u>	<u>5,478</u>	<u>161</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ (1,330)</u>	<u>\$ (133)</u>	<u>\$ (25)</u>	<u>\$ 664</u>	<u>\$ 5,478</u>	<u>\$ 7,701</u>

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 P.A.S.S. ACCOUNTS
 For the Year ended June 30, 2014

	Title II Teacher Quality	State Free Lunch and Breakfast	National School Lunch Program	School Breakfast Program	Total
REVENUES					
State sources	\$ -	\$ 132	\$ -	\$ -	\$ 113,261
Federal sources	304	-	7,637	832	42,326
Total revenues	304	132	7,637	832	155,587
EXPENDITURES					
Salaries and benefits	-	-	-	-	145,759
Purchased services	304	-	-	-	1,752
Supplies and materials	-	132	7,637	832	8,601
Total expenditures	304	132	7,637	832	156,112
Excess (deficiency) of revenues over expenditures	-	-	-	-	(525)
OTHER FINANCING SOURCES:					
Transfers in	-	-	-	-	8,065
Total other financing sources	-	-	-	-	8,065
Net change in fund balances	-	-	-	-	7,540
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	171	70	11,842	10	16,908
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 171	\$ 70	\$ 11,842	\$ 10	\$ 24,448

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 P.A.S.S. ACCOUNTS
 ADULT EDUCATION AND FAMILY LITERACY - STATE BASIC
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
State sources	\$ 37,674	\$ 37,674	\$ 37,674	\$ -
Total revenues	37,674	37,674	37,674	-
EXPENDITURES				
Salaries and benefits	37,339	37,339	37,416	(77)
Purchased services	335	335	258	77
Total expenditures	37,674	37,674	37,674	-
Excess (deficiency) of revenue over expenditures	\$ -	\$ -	-	\$ -
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR			(133)	
FUND BALANCE (DEFICIT) AT END OF YEAR			\$ (133)	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 P.A.S.S. ACCOUNTS
 ADULT EDUCATION AND FAMILY LITERACY - STATE PERFORMANCE
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
State sources	\$ 22,068	\$ 22,068	\$ 22,068	\$ -
Total revenues	22,068	22,068	22,068	-
EXPENDITURES				
Salaries and benefits	21,992	21,992	22,210	(218)
Purchased services	76	76	-	76
Total expenditures	22,068	22,068	22,210	(142)
Excess (deficiency) of revenue over expenditures	\$ -	\$ -	(142)	\$ (142)
OTHER FINANCING SOURCES:				
Transfer in			142	
Net change in fund balance			-	
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR			(25)	
FUND BALANCE (DEFICIT) AT END OF YEAR			\$ (25)	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 P.A.S.S. ACCOUNTS
 ADULT EDUCATION AND FAMILY LITERACY - PUBLIC ASSISTANCE
 For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State sources	\$ 11,885	\$ 11,885	\$ 11,885	\$ -
Total revenues	<u>11,885</u>	<u>11,885</u>	<u>11,885</u>	<u>-</u>
EXPENDITURES				
Salaries and benefits	11,554	11,554	11,560	(6)
Purchased services	<u>331</u>	<u>331</u>	<u>325</u>	<u>6</u>
Total expenditures	<u>11,885</u>	<u>11,885</u>	<u>11,885</u>	<u>-</u>
Excess (deficiency) of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>664</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 664</u>	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 P.A.S.S. ACCOUNTS
 REGIONAL SAFE SCHOOLS
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
State sources	\$ 41,502	\$ 41,502	\$ 41,502	\$ -
Total revenues	41,502	41,502	41,502	-
EXPENDITURES				
Salaries and benefits	40,440	40,440	40,637	(197)
Purchased services	1,062	1,062	865	197
Total expenditures	41,502	41,502	41,502	-
Excess (deficiency) of revenue over expenditures	\$ -	\$ -	-	\$ -
FUND BALANCE AT BEGINNING OF YEAR			5,478	
FUND BALANCE AT END OF YEAR			\$ 5,478	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 P.A.S.S. ACCOUNTS
 FEDERAL ADULT EDUCATION - BASIC
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Federal sources	\$ 33,762	\$ 33,762	\$ 33,553	\$ (209)
Total revenues	33,762	33,762	33,553	(209)
EXPENDITURES				
Salaries and benefits	33,762	33,762	33,936	(174)
Total expenditures	33,762	33,762	33,936	(174)
Excess (deficiency) of revenue over expenditures	\$ -	\$ -	(383)	\$ (383)
OTHER FINANCING SOURCES:				
Transfer in			7,923	
Net change in fund balance			7,540	
FUND BALANCE AT BEGINNING OF YEAR			161	
FUND BALANCE AT END OF YEAR			\$ 7,701	

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 BUDGETARY COMPARISON SCHEDULE
 P.A.S.S. ACCOUNTS
 TITLE II - TEACHER QUALITY
 For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal sources	<u>\$ 304</u>	<u>\$ 304</u>	<u>\$ 304</u>	<u>\$ -</u>
Total revenues	<u>304</u>	<u>304</u>	<u>304</u>	<u>-</u>
EXPENDITURES				
Purchased Services	<u>304</u>	<u>304</u>	<u>304</u>	<u>-</u>
Total expenditures	<u>304</u>	<u>304</u>	<u>304</u>	<u>-</u>
Excess (deficiency) of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>171</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 171</u>	

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2014

	General Education Development	Bus Driver Training	Institute	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ 12,434	\$ 20,118	\$ 32,552
Total Assets	<u>-</u>	<u>12,434</u>	<u>20,118</u>	<u>32,552</u>
DEFERRED OUTFLOWS OF RESOURCES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
	<u>\$ -</u>	<u>\$ 12,434</u>	<u>\$ 20,118</u>	<u>\$ 32,552</u>
LIABILITIES				
Due to other funds	\$ 5,955	\$ -	\$ -	\$ 5,955
Total Liabilities	<u>5,955</u>	<u>-</u>	<u>-</u>	<u>5,955</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT)				
Restricted	-	12,434	20,118	32,552
Unassigned	(5,955)	-	-	(5,955)
Total Fund Balance (Deficit)	<u>(5,955)</u>	<u>12,434</u>	<u>20,118</u>	<u>26,597</u>
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCE				
	<u>\$ -</u>	<u>\$ 12,434</u>	<u>\$ 20,118</u>	<u>\$ 32,552</u>

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2014

	General Education Development	Bus Driver Training	Institute	Total
REVENUES				
Local sources	\$ 1,865	\$ 1,312	\$ 9,145	\$ 12,322
State sources	-	637	-	637
Interest	-	-	4	4
Total revenues	1,865	1,949	9,149	12,963
EXPENDITURES				
Purchased services	226	570	11,887	12,683
Supplies and materials	29	46	492	567
Total expenditures	255	616	12,379	13,250
Net change in fund balance	1,610	1,333	(3,230)	(287)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(7,565)	11,101	23,348	26,884
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (5,955)	\$ 12,434	\$ 20,118	\$ 26,597

HENDERSON, MERCER AND WARREN COUNTIES
 REGIONAL OFFICE OF EDUCATION #27
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2014

	Balance 7/1/2013	Additions	Deductions	Balance 6/30/2014
COUNTY SALES FACILITY TAX				
ASSETS				
Cash and cash equivalents	\$ 16,931	\$ 1,127,295	\$ 1,144,226	\$ -
LIABILITIES				
Due to other agencies	\$ 16,931	\$ 1,127,295	\$ 1,144,226	\$ -

FEDERAL COMPLIANCE SECTION

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Project # (1st Eight Digits) or Contract #	Federal Expenditures July 1, 2013 through June 30, 2014
U.S. DEPARTMENT OF EDUCATION			
Passed through Illinois State Board of Education:			
Twenty-First Century Community Learning Centers			
<i>Title IV - 21st Century Community Learning Centers</i>	M 84.287C	2013-4421-10	\$ 61,584
<i>Title IV - 21st Century Community Learning Centers</i>	M 84.287C	2014-4421-10	150,007
<i>Title IV - 21st Century Community Learning Centers</i>	M 84.287C	2013-4421-12	24,320
<i>Title IV - 21st Century Community Learning Centers</i>	M 84.287C	2014-4421-12	106,508
<i>Title IV - 21st Century Community Learning Centers</i>	M 84.287C	2013-4421-13	47,998
<i>Title IV - 21st Century Community Learning Centers</i>	M 84.287C	2014-4421-13	101,201
			<u>491,618</u>
Improving Teacher Quality State Grants			
<i>Title II - Teacher Quality</i>	84.367A	2014-4932-00	304
<i>Title II - Teacher Quality - Leadership Grant</i>	84.367A	2013-4935-02	100
<i>Title II - Teacher Quality - Leadership Grant</i>	84.367A	2014-4935-02	1,262
			<u>1,666</u>
Passed through Regional Office of Education #26:			
Education for Homeless Children and Youth			
<i>McKinney Education for Homeless Children</i>	84.196A	2014-4920-00	4,116
Passed through Regional Office of Education #51:			
Title I Grants to Local Educational Agencies			
<i>Title I School Improvement and Accountability</i>	84.010A	2014-4331-SS	10,890
Passed through the Illinois Community College Board:			
Adult Education - Basic Grants to States			
<i>Adult Education and Family Literacy - Federal Basic Program</i>	84.002A	518AB	33,936
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>542,226</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Illinois State Board of Education:			
Child Nutrition Cluster			
National School Lunch Program			
<i>National School Lunch Program</i>	10.555	2013-4210-00	1,234
<i>National School Lunch Program</i>	10.555	2014-4210-00	6,403
			<u>7,637</u>
School Breakfast Program			
<i>School Breakfast Program</i>	10.553	2013-4220-00	217
<i>School Breakfast Program</i>	10.553	2014-4220-00	615
			<u>832</u>
Total Child Nutrition Cluster			<u>8,469</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>8,469</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 550,695</u>

(M) Program was audited as a major program

The accompanying notes are an integral part of this schedule.

HENDERSON, MERCER AND WARREN COUNTIES
REGIONAL OFFICE OF EDUCATION #27

NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
For the Year Ended June 30, 2014

1. REPORTING ENTITY BASIS OF PRESENTATION AND ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Henderson, Mercer and Warren Counties Regional Office of Education #27 (ROE) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. DESCRIPTION OF FEDERAL PROGRAM AUDITED AS A MAJOR PROGRAM

The purpose of the Title IV – 21st Century Community Learning Centers Program is to create community learning centers that provide academic enrichment opportunities for children, particularly students who attend high-poverty and low-performing schools, to meet State and local student standards in core academic subjects, to offer students a broad array of enrichment activities that can complement their regular academic programs, and to offer literacy and other educational services to the families of participating children.

3. SUBRECIPIENTS

The Henderson, Mercer and Warren Counties Regional Office of Education #27 did not provide federal awards to subrecipients.

4. NON-CASH ASSISTANCE

The Henderson, Mercer and Warren Counties Regional Office of Education #27 did not receive any Federal awards involving non-cash assistance with continuing compliance requirements.

5. AMOUNT OF INSURANCE

The Henderson, Mercer and Warren Counties Regional Office of Education #27 did not receive any Federal awards involving insurance with continuing compliance requirements.

6. LOANS OR LOAN GUARANTEES OUTSTANDING

The Henderson, Mercer and Warren Counties Regional Office of Education #27 did not receive any Federal awards involving loans or loan guarantees with continuing compliance requirements.