



STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL

FINANCIAL AUDIT

**REGIONAL OFFICE OF EDUCATION #46
BROWN, CASS, MORGAN AND SCOTT COUNTIES**

FOR THE YEAR ENDED JUNE 30, 2007

WILLIAM G. HOLLAND

AUDITOR GENERAL

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46**

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**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46**

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**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46**

OFFICIALS

Regional Superintendent
(current and during the audit period)

Honorable Stephen Breese

Assistant Regional Superintendent
(during the audit period)

Mr. Robert Nicolet

Assistant Regional Superintendent
(current)

Mr. Jeff Stephens

Offices are located at:

110 N. West Street
Jacksonville, IL 62650

121 East Second Street
Beardstown, IL 62618

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46**

FINANCIAL REPORT SUMMARY

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

AUDITOR'S REPORTS

The auditor's reports 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	9	5
Repeated audit findings	5	3
Prior recommendations implemented or not repeated	0	0

Details of audit findings are presented in a separately tabbed report section.

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)		
07-1	10	Controls Over Compliance with Laws and Regulations
07-2	12	Inaccurate Expenditure Report
07-3	13	Improper Expenditure Classification
07-4	15	Reconciliation of Pooled Cash Account
07-5	16	Undercollateralization of Bank Accounts
07-6	17	Inadequate Controls Over Property and Equipment
07-7	19	Failure to Allocate Interest Earned
07-8	21	Inadequate Internal Control Procedures
07-9	23	Controls Over Financial Statement Preparation

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

None

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46**

FINANCIAL REPORT SUMMARY (Continued)

EXIT CONFERENCE

The Brown/Cass/Morgan/Scott Counties Regional Office of Education #46 opted not to have an exit conference during the financial audit for the year ended June 30, 2007. Throughout the audit, numerous meetings were held between auditors and ROE officials to discuss the matters contained in this audit report. Responses to the recommendations were provided by Honorable Stephen Breese, Regional Superintendent on September 26, 2008.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46**

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 was performed by staff of the Illinois Office of the Auditor General.

Based on that audit, the auditors expressed a disclaimer of opinion on the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46's basic financial statements.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

We were unable to audit the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46, as of and for the year ended June 30, 2007, which collectively comprise the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46's management.

The Regional Office of Education #46's accounting records were inadequate and contained numerous errors. The records were determined to be insufficient to audit. We were unable to satisfy ourselves about the accuracy or completeness of the accounting records by means of other auditing procedures.

Because of the matter discussed in the previous paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 17, 2008, on our consideration of the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Regional Office of Education #46 has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The Illinois Municipal Retirement Fund Schedule of Funding Progress on page 61 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was to be conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional Office of Education #46's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Because the accounting records of the Regional Office of Education #46 were inadequate and we were unable to apply other auditing procedures regarding the accuracy and completeness of the accounting records as discussed in the second paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the combining and individual nonmajor fund financial statements and the budgetary comparison schedules.


Kelly Mittelstaedt, CPA
November 17, 2008

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

**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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46, as of and for the year ended June 30, 2007, which collectively comprise the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46's basic financial statements and have issued our report thereon dated November 17, 2008. We did not express an opinion on the financial statements because we were unable to satisfy ourselves as to the accuracy and completeness of the Regional Office of Education #46's accounting records, as described in finding 07-9. Except as discussed in the preceding sentence, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion(s) on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Regional Office of Education #46's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Regional Office of Education #46's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule

of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting, 07-2, 07-3, 07-4, 07-5, 07-6, 07-7, 07-8 and 07-9.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However of the significant deficiencies described above, we consider items 07-3, 07-4, 07-7, 07-8 and 07-9 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regional Office of Education #46's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 07-2 and 07-7. We also noted certain immaterial instances of noncompliance or other matters which we reported on the accompanying Schedule of Findings and Questioned Costs as items 07-1 and 07-5.

Regional Office of Education #46's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Regional Office of Education #46's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, others within the organization, Illinois State Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Kelly Mittelstaedt, CPA
November 17, 2008

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Disclaimer of Opinion

Internal control over financial reporting:

- Material weakness(es) identified? x yes no
- Significant deficiencies identified that are not considered to be material weaknesses? x yes none reported

Noncompliance material to financial statements noted? x yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
Not Applicable
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported
Not Applicable

Type of auditor's report issued on compliance for major programs: Not Applicable

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? yes no
Not Applicable

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Not Applicable

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

Auditee qualified as low-risk auditee? yes no
Not Applicable

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 07-1 - Controls Over Compliance with Laws and Regulations (Repeat from 2006 - No. 06-1)

Criteria/Specific Requirement:

The Illinois School Code 105 ILCS 5/3-5 states that the county superintendent shall present under oath or affirmation to the county board at its meeting in September and as nearly quarterly thereafter as it may have regular or special meetings, a report of all his acts as county superintendent, including a list of all the schools visited with the dates of visitation. (This mandate has existed in its current form since at least 1953.)

Condition:

The Regional Office of Education #46 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all his acts including a list of all the schools visited and dates of visitation.

Effect:

The Regional Office of Education #46 did not comply with the statutory requirement.

Cause:

According to the Regional Office, this reporting requirement was not a part of the normal office procedures and the Regional Superintendent was unaware of the requirement. The September, 2007 and December, 2007 reports for fiscal year 2008 were sent to the county boards in December, 2007 and quarterly thereafter.

Auditor's Recommendation:

The Regional Superintendent should attend the county board meeting in September and quarterly thereafter to report all of his acts, including a list of the all the schools visited and dates of visitation as required by 105 ILCS 5/3-5.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 07-1 - Controls Over Compliance with Laws and Regulations (Repeat from 2006 - No. 06-1) (Continued)

Management's Response:

We did miss the September meeting, but this process has become part of normal office procedures and all reports are currently being made in a timely fashion.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 07-2 - Inaccurate Expenditure Report (Repeat from 2006 – No. 06-2, 2005 - No. 05-2, 2004 - No. 04-2, and 2003 - No. 03-2)

Criteria/Specific Requirement:

Amounts submitted on grant expenditure reports to the Illinois State Board of Education should be in agreement with the general ledger.

Condition:

In its expenditure report for the Truants Alternative and Optional Education grant, Regional Office of Education #46 included obligated expenditures which did not correspond to specific outstanding liabilities. Reported obligated amounts were simply the remaining balances of the grant.

Effect:

The expenditure report that was submitted did not accurately reflect the activity of the period.

Cause:

The Regional Office of Education #46 did not track individual outstanding obligations associated with the Truants Alternative and Optional Education grant but rather submitted expenditure reports showing obligations as the difference between actual expenditures and the budgeted amount of the grant.

Auditor's Recommendation:

The Regional Office of Education #46's management should review expenditure reports and their supporting documentation prior to their actual filing to ensure they report actual expenditures and specific outstanding obligations related to the grant.

Management's Response:

We have hired both an independent accounting software consultant and a CPA consultant to work with this office in order to put practices in place so the proper recording procedures will be used in the future. There will be ongoing training for our office bookkeeper to monitor and check that this is done correctly.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 07-3 - Improper Expenditure Classification (Repeat from 2006 – No. 06-3)

Criteria/Specific Requirement:

The Regional Superintendent of Schools in each Regional Office of Education is required to maintain accurate financial records in accordance with the Regional Office of Education fiscal procedures (23 Illinois Administrative Code 525.160), the Program Accounting Manual (23 Illinois Administrative Code 110), and Regional Office of Education (ROE) Accounting Manual, as applicable. The manual requires expenditures to be identified by function, account code, and object account code. Generally Accepted Accounting Principles (GAAP) requires the recognition and reporting of revenues and expenditures separately.

Condition:

In our analytical tests of expenditures, we noted that the Regional Office of Education #46 had several issues related to classification of expenditures including:

- A total of \$22,920 in program expenditures was charged initially to the County Support Fund instead of being posted to the program actually incurring the expense. The appropriate program was later expensed and the County Support Fund was reimbursed. However, the County Support Fund reimbursement was posted as revenue instead of reducing the expense. Consequently, revenues in the County Support Fund were overstated.
- A total of \$745 of capital outlay items was recorded as supplies.
- Expenditures were inconsistently recorded. For example, a total of \$245 for pest control services was charged to the following four different expenditure classifications: Other Professional and Technical Services; Repair and Maintenance; Other Property Services; Other Purchased Services.

Effect:

Transactions are not being recorded in accordance with the Illinois Program Accounting Manual and ROE Accounting Manual. Financial reports prepared by the ROE require additional analysis in order to be comparable and consistent with reporting requirements and GAAP.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 07-3 - Improper Expenditure Classification (Repeat from 2006 – No. 06-3)
(continued)

Cause:

The Regional Office of Education #46 did not classify transactions appropriately in its accounting system and had inadequate internal controls over financial reporting.

Auditor's Recommendation:

The Regional Office of Education #46 should ensure that expenditure amounts are classified correctly and consistently in the general ledger as required by the Illinois State Board of Education, the Illinois Administrative Code, and by the ROE Accounting Manual.

Management's Response:

We recognize that these errors did occur and have hired both an independent accounting software consultant and a CPA consultant to work with this office in order to put practices in place so the proper recording procedures will be used in the future. There will be ongoing training for our office bookkeeper to monitor and check that this is done correctly.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 07-4 - Reconciliation of Pooled Cash Account (Repeat from 2006 – No. 06-4)

Criteria/Specific Requirement:

The total of all funds in a pooled cash account should equal the total cash recorded in the general ledger. The pooled cash account should be reconciled in a timely manner and not less than monthly. In addition, cash recorded in individual programs should accurately reflect the transactions of the individual programs.

Condition:

Regional Office of Education #46 maintains a pooled cash account for many of their funds. The ROE did not complete monthly reconciliations of its pooled cash for the year ended June 30, 2007 until November 19, 2007. Even after the November reconciliations were completed, cash within many of the individual grants and programs did not balance. Auditors noted at least four (4) instances in which cash for individual programs was distributed from the wrong accounts resulting in incorrect fund balances.

Effect:

Inaccurate recording of program transactions could cause inaccurate expenditure reports, inaccurate grant reporting information, and incomplete and inaccurate financial statements.

Cause:

Reconciliation of the pooled cash account was not completed timely. There were also several errors made in recording various transactions, making it more difficult to reconcile the account.

Auditor's Recommendation:

The Regional Office of Education #46 should ensure that all individual pooled cash account transactions are reconciled in a timely manner and not less than monthly. The Regional Office should also begin accurately reporting individual program transactions in the financial records.

Management's Response:

We have hired both an independent accounting software consultant and a CPA consultant to work with this office in order to put practices in place so the proper recording procedures will be used in the future. There will be ongoing training for our office bookkeeper to monitor and check that this is done correctly.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 07-5 - Undercollateralization of Bank Accounts (Repeat from 2006 – No. 06-5, and 2005 - No. 05-3)

Criteria/Specific Requirement:

The Public Funds Deposit Act (30 ILCS 225/1) gives the authorization for deposits in excess of the federally insured limit to be covered by pledged collateral held by the financial institutions' trust departments in the Regional Office of Education #46's name. In addition, prudent business practice requires that all cash and investments held by financial institutions for the ROE be adequately covered by depository insurance or collateral. The value of pledged securities used as collateral is determined based on the market value of securities.

Condition:

Regional Office of Education #46 did not have sufficient collateral in place to insure their cash balances against possible loss. At year end, the Regional Office's bank balance was undercollateralized by \$30,579, leaving it exposed to custodial credit risk. The face value of the securities pledged was adequate; however, the market value of pledged securities was inadequate. The market value of pledged securities should be used to determine the adequacy of coverage.

Effect:

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

Cause:

According to Regional Office management, there was an agreement with the financial institution to automatically pledge securities for deposits, but neither the banks nor the Regional Office understood the concept that these pledged securities should be pledged based on their market value rather than their face value.

Auditor's Recommendation:

The Regional Office of Education #46 should monitor collateral requirements for its bank accounts. The Regional Office should consider making a formal arrangement with the bank to automatically pledge securities for any deposit amounts in excess of the FDIC insured amount and ensure that adequate coverage is obtained based on the market value of the pledged securities.

Management's Response:

Our banks now understand they need to pledge at elevated levels in order to insure that the market value of the security is actually as high as, or higher than our investment levels.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 07-6 – Inadequate Controls Over Property and Equipment

Criteria/Specific Requirement:

The *Regional Office of Education (ROE) Accounting Manual* requires each ROE to maintain detailed fixed asset records for both accounting purposes as well as insurance purposes, for fixed assets costing \$500 or more. Generally accepted accounting principles require that an inventory of all fixed assets and depreciation schedules for assets meeting the capitalization threshold for reporting be maintained.

The ROE Accounting Manual also states that the fixed asset inventory records should include: the inventory control number (tag number); major asset class; function and activity; reference to the acquisition source document; acquisition date; vendor; a short description of the asset; unit charged with custody; location; fund and account from which purchased; method of acquisition; estimated useful life and method of depreciation; estimated salvage value; and date, method, and authorization of disposition.

In addition, sound internal controls require that policies and procedures on fixed assets should cover acquisition and tagging, recording and reporting, depreciation (if applicable), transfers and dispositions, and annual physical inventory, and that they should be formally documented and consistently applied.

Condition:

The Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 did not have adequate controls over fixed assets.

The equipment listing provided by the Regional Office was inaccurate and incomplete. Auditors noted the following in tests of fixed assets:

- A laptop computer and personal digital assistant with a total value of \$1,837 which had been stolen in August 2005 were included on the fixed asset listing;
- Two new phone systems and two defibrillators with a total value of \$9,474 were omitted from the list; and
- Equipment items were not tagged with fixed asset tag numbers that clearly indicated they were the property of the Regional Office. Several of the items not included on the fixed asset listing were older items clearly indicating that a tagging system was not in place.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 07-6 – Inadequate Controls Over Property and Equipment (continued)

Effect:

The absence of a sound system of internal controls over fixed assets can result in inaccurate reporting of fixed assets and inadequate physical control for equipment items. An incomplete fixed asset listing does not provide an adequate basis for physical control and losses may occur without being detected.

Cause:

According to Regional Office management, there was a policy to track fixed asset inventory, however, steps had never been taken to assign specific responsibility for each step to individuals. Consequently, no one was aware of who was responsible for each step.

Auditor's Recommendation:

The Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 should adhere to the ROE Accounting Manual fixed asset policy and procedures to effectively and efficiently monitor property acquisitions, transfers and disposals, and provide for accurate reporting of fixed asset balances.

The fixed asset listing should be completed to include all the details required by the ROE Accounting Manual and should be checked for accuracy and existence through an annual physical inventory. Reconciliation should be performed between the fixed asset listing and the recorded capital outlay expenditures for the year. All reconciling items should be disposed of in a timely manner.

Management's Response:

We have created a new manual with specific descriptions of responsibilities for each of the steps involved and whose responsibility it is.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 07-7 - Failure to Allocate Interest Earned

Criteria/Specific Requirement:

The *Regional Office of Education (ROE) Accounting Manual* states that if dollars from two or more funds are combined in one bank account or fund, the ROE must allocate, on a reasonable basis, a portion of the interest earned on that bank account or fund to each of those funds. The allocation should be done no less than monthly when bank statements are received. Once the interest is allocated to the appropriate fund, certain rules apply to the expenditure of that interest. The ROE Accounting Manual states that the rules for allocating and expending interest vary depending on the funds that generated the interest. Unless the grant agreement specifically addresses the interest issue and provides otherwise, the following rules would apply.

- The Grant Funds Recovery Act (30 ILCS 705/1 et seq.) states that interest earned on grant funds becomes part of the grant principal and is treated accordingly for all purposes unless the grant agreement and/or the grant regulations provides otherwise. The Act further states that any grant funds not expended (or legally obligated) by the end of the grant period must be returned to the grantor. This applies to State and federal grants.
- Generally, federal rules supersede those of the State (for federal grants only). If a federal rule allows different treatment of interest, then the federal rule would be followed.

Interest earned on funds that are not grants but are set up by statute (examples include but may not be limited to Institute, GED, and Bus Driver) must be allocated to the fund and expended for the same purpose. However, unlike grants, this interest does not have to be expended within any given period of time unless statute, regulations or contract state otherwise. The same laws that apply to the expenditure of the original funds also apply to any expenditures of interest earned on that fund.

Condition:

The Regional Office did not allocate interest earned from its commingled bank account to each fund. For Fiscal Year 2007, Regional Office of Education #46 earned a total of \$12,141 in unallocated interest. The Regional Office received various grant funds from State and

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 07-7 - Failure to Allocate Interest Earned (continued)

federal sources, as well as, funds received for services provided by their Institute, GED, and Bus Driver Training funds.

Effect:

Interest earned on excess funds that are not allocated to that particular fund, may result in unallowable expenditures and noncompliance with State and federal statutes and regulations.

Cause:

Regional Office of Education #46 had established a system to allocate interest earned in their commingled cash account to each fund on an annual basis rather than a monthly basis.

Auditor's Recommendation:

We recommend the Regional Office of Education #46 develop a plan to appropriately allocate interest earned on commingled funds and follow the appropriate State and federal statutes and regulations.

Management's Response:

The ROE has developed a plan to appropriately allocate interest earned on commingled funds that follows the appropriate State and federal statutes and regulations. We had been allocating on an annual basis rather than the prescribed monthly basis.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 07-8 - Inadequate Internal Control Procedures

Criteria/Specific Requirement:

The *Regional Office of Education (ROE) Accounting Manual* establishes that the Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over disbursements and purchases to prevent errors and fraud.

Condition:

During the audit we noted the following weaknesses in the Regional Office's internal control system:

- A. The monthly bank reconciliations were not completed until November of 2007 for the fiscal year ended June 30, 2007.
- B. Disbursement checks are signed electronically and mailed to vendors before supporting documentation is approved by the Regional Superintendent.
- C. The bookkeeping function is located in a different city than the Regional Office's primary location making it more difficult for the Regional Superintendent to provide adequate oversight of the accounting function.
- D. In 2 of 25 credit card charges reviewed, approval of the expenditure was not documented, and for 18 of 25 credit card transactions tested, approval occurred 1 to 30 days after the payment was made.
- E. The budget module of the Regional Office's accounting system was not in place during the year. As a result, budget to actual reviews were not done for grant funds during the year.
- F. Blank check stock was kept unlocked in the bookkeeper's office. In addition, there are inadequate controls to ensure check stock from the proper checking account is being used to make disbursements.
- G. The Regional Office paid finance and late fees totaling \$108 and sales taxes totaling \$89 on credit card purchases.

Effect:

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

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 07-8 - Inadequate Internal Control Procedures (continued)

Cause:

The Regional Office of Education #46 has not established sufficient internal control procedures.

Auditor's Recommendation:

The Regional Office of Education #46's management should assure that a system of internal controls has been established and is maintained to control receipts, disbursements, and purchases and to prevent errors and fraud. Specifically, based on auditor's reviews this year, Regional Office #46 management should ensure the following:

- A. Bank reconciliations are completed in a timely manner;
- B. Deposits and expenditures are reviewed and approved before they occur. This approval should be part of a structured process that ensures transactions are reviewed and approved, in a timely manner, and that the assets of the Regional Office are protected;
- C. Adequate oversight of the bookkeeping function is achieved;
- D. Regional Office credit card charges should be reviewed and approved before payment is made;
- E. Management has the capability to compare program budgets to actual expenditures on a periodic basis throughout the year;
- F. Blank check stock is kept locked and under control and that check stock from the appropriate bank account is used to make disbursements; and
- G. Late fees, finance charges, and sales taxes are not incurred and/or paid by the Regional Office.

Management's Response:

We have hired both an independent accounting software consultant and a CPA consultant to work with this office in order to put practices in place so the proper recording procedures will be used in the future. There will be ongoing training for our office bookkeeper to monitor and check that this is done correctly.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 07-9 – Controls Over Financial Statement Preparation

Criteria/Specific Requirement:

The Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

Condition:

The Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting. While the Regional Office maintains controls over some of the processing of accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

The Regional Office did not maintain adequate controls over the financial reporting process and numerous adjustments would have been required to present financial statements in accordance with generally accepted accounting principles. The Regional Office of Education #46 had significant problems with its accounting system and internal controls which caused the auditors to disclaim an opinion on the financial statements. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office incorrectly posted payroll to various individual grant and program payroll cash accounts throughout the general ledger. The incorrect postings caused negative balances in the program accounts when these balances should be zero at the end of each pay period. Regional Office management was unable to adjust the general ledger to reflect the correct balances.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 07-9 – Controls Over Financial Statement Preparation (continued)

- The general ledger included seven accounts for which the account code was invalid and did not assign assets, liabilities, or fund balances to a specific program or fund. The largest of these was a Fund Balance/Retained Earnings account with a balance of \$19,230.
- The Regional Office does not record any accrual entries. As a result, entries were not made related to accounts receivable, accounts payable, or deferred revenues.
- The Regional Office does not have a system for approval of journal entries to assure they are accurate and appropriate.
- Various grants/programs in the general ledger had funds due to their granting agency that were prior year liabilities or unexpended grant funds from the current year. These funds were not returned to the granting agency. Management stated that they do not return funds unless the granting agency requests them.
- The Regional Office could not provide an auditable general ledger. Revenue and expenditure transactions posted to the general ledger were inconsistently accounted for and could not be properly tracked. There were also numerous transfers recorded in the general ledger at the end of the fiscal year in an attempt to correct other transaction mispostings. These transfers were inconsistently posted and difficult to follow.
- The Regional Office was also not able to produce a government-wide trial balance or individual fund trial balances due to accounting system limitations.
- The Regional Office could not provide a complete listing of fixed assets over \$500. The fixed asset listing provided by the Regional Office did not record depreciation in accordance with the Regional Office's fixed asset policy for current year additions.

Because of problems related to the accuracy of the general ledger, auditors terminated work before testing was completed and issued a disclaimer of opinion on the financial statements for the year ended June 30, 2007.

Effect:

Management or 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.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 07-9 – Controls Over Financial Statement Preparation (continued)

Cause:

According to Regional Office officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements.

Auditor's Recommendation:

As part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education #46 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

Management's Responses:

There were subsidiary records showing that the grants were expended, but the general ledger was not corrected to show this completed expenditure of funds. We have hired both an independent accounting software consultant and a CPA consultant to work with this office in order to put practices in place so the proper recording procedures will be used in the future. There will be ongoing training for our office bookkeeper to monitor and check that this is done correctly.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section III: Findings and Questioned Costs for Federal Awards:

Not Applicable

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2007**

FINDING NO. 07-1 - Controls Over Compliance with Laws and Regulations

Condition:

The Regional Office of Education #46 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all his acts including a list of all the schools visited and dates of visitation.

Plan:

This is now a scheduled activity in ROE #46.

Anticipated Date of Completion:

December, 2007

Name of Contact Person:

Honorable Stephen Breese, Regional Superintendent

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2007**

FINDING NO. 07-2- Inaccurate Expenditure Report

Condition:

In its expenditure report for the Truants Alternative and Optional Education grant, Regional Office of Education #46 included obligated expenditures which did not correspond to specific outstanding liabilities. Reported obligated amounts were simply the remaining balances of the grant.

Plan:

We have hired both an independent accounting software consultant and a CPA consultant to work with this office. We will implement the proper recording procedures in the future. There will be ongoing training for our office bookkeeper to monitor and check that this is done correctly.

Anticipated Date of Completion:

July, 2008

Name of Contact Person:

Honorable Stephen Breese, Regional Superintendent

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2007**

FINDING NO. 07-3- Improper Expenditure Classification

Condition:

In our analytical tests of expenditures, we noted that the Regional Office of Education #46 had several issues related to classification of expenditures including:

- A total of \$22,920 in program expenditures was charged initially to the County Support Fund instead of being posted to the program actually incurring the expense. The appropriate program was later expensed and the County Support Fund was reimbursed. However, the County Support Fund reimbursement was posted as revenue instead of reducing the expense. Consequently, revenues in the County Support Fund were overstated.
- A total of \$745 of capital outlay items was recorded as supplies.
- Expenditures were inconsistently recorded. For example, a total of \$245 for pest control services was charged to the following four different expenditure classifications: Other Professional and Technical Services; Repair and Maintenance; Other Property Services; Other Purchased Services.

Plan:

We have hired both an independent accounting software consultant and a CPA consultant to work with this office in order to put practices in place so the proper recording procedures will be used in the future. There will be ongoing training for our office bookkeeper to monitor and check that this is done correctly.

Anticipated Date of Completion:

September, 2008

Name of Contact Person:

Honorable Stephen Breese, Regional Superintendent

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2007**

FINDING NO. 07-4 - Reconciliation of Pooled Cash Account

Condition:

Regional Office of Education #46 maintains a pooled cash account for many of their funds. The ROE did not complete monthly reconciliations of its pooled cash for the year ended June 30, 2007 until November 19, 2007. Even after the November reconciliations were completed, cash within many of the individual grants and programs did not balance. Auditors noted at least four (4) instances in which cash for individual programs was distributed from the wrong accounts resulting in incorrect fund balances.

Plan:

We have hired both an independent accounting software consultant and a CPA consultant to work with this office in order to put practices in place so the proper recording procedures will be used in the future. There will be ongoing training for our office bookkeeper to monitor and check that this is done correctly.

Anticipated Date of Completion:

November, 2008

Name of Contact Person:

Honorable Stephen Breese, Regional Superintendent

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2007**

FINDING NO. 07-5 - Undercollateralization of Bank Accounts

Condition:

Regional Office of Education #46 did not have sufficient collateral in place to insure their cash balances against possible loss. At year end, the Regional Office's bank balance was undercollateralized by \$30,579, leaving it exposed to custodial credit risk. The face value of the securities pledged was adequate; however, the market value of pledged securities was inadequate. The market value of pledged securities should be used to determine the adequacy of coverage.

Plan:

We made our banks aware that we needed to be insured at a level that accounts for the market value of the policy and not the face value.

Anticipated Date of Completion:

November, 2007

Name of Contact Person:

Honorable Stephen Breese, Regional Superintendent

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2007**

FINDING NO. 07-6 – Inadequate Controls Over Property and Equipment

Condition:

The Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 did not have adequate controls over fixed assets.

The equipment listing provided by the Regional Office was inaccurate and incomplete. Auditors noted the following in tests of fixed assets:

- A laptop computer and personal digital assistant with a total value of \$1,837 which had been stolen in August 2005 were included on the fixed asset listing;
- Two new phone systems and two defibrillators with a total value of \$9,474 were omitted from the list; and
- Equipment items were not tagged with fixed asset tag numbers that clearly indicated they were the property of the Regional Office. Several of the items not included on the fixed asset listing were older items clearly indicating that a tagging system was not in place.

Plan:

We have hired both an independent accounting software consultant and a CPA consultant to work with this office in order to put practices in place so the proper recording procedures will be used in the future.

Anticipated Date of Completion:

September, 2008

Name of Contact Person:

Honorable Stephen Breese, Regional Superintendent

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2007**

FINDING NO. 07-7 – Failure to Allocate Interest Earned

Condition:

The Regional Office did not allocate interest earned from their commingled bank account to each fund. For Fiscal Year 2007, Regional Office of Education #46 earned a total of \$12,141 in unallocated interest. The Regional Office received various grant funds from State and federal sources, as well as, funds received for services provided by their Institute, GED, and Bus Driver Training funds.

Plan:

We have implemented a plan calling for the allocation of interest funds on a monthly basis now rather than the annual allocation we were using.

Anticipated Date of Completion:

January, 2008

Name of Contact Person:

Honorable Stephen Breese, Regional Superintendent

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2007**

FINDING NO. 07-8 – Inadequate Internal Control Procedures

Condition:

During the audit we noted the following weaknesses in the Regional Office's internal control system:

- A. The monthly bank reconciliations were not completed until November of 2007 for the fiscal year ended June 30, 2007.
- B. Disbursement checks are signed electronically and mailed to vendors before supporting documentation is approved by the Regional Superintendent.
- C. The bookkeeping function is located in a different city than the Regional Office's primary location making it more difficult for the Regional Superintendent to provide adequate oversight of the accounting function.
- D. In 2 of 25 credit card charges reviewed, approval of the expenditure was not documented, and for 18 of 25 credit card transactions tested, approval occurred 1 to 30 days after the payment was made.
- E. The budget module of the Regional Office's accounting system was not in place during the year. As a result, budget to actual reviews were not done for grant funds during the year.
- F. Blank check stock was kept unlocked in the bookkeeper's office. In addition, there are inadequate controls to ensure check stock from the proper checking account is being used to make disbursements.
- G. The Regional Office paid finance and late fees totaling \$108 and sales taxes totaling \$89 on credit card purchases.

Plan:

We have hired both an independent accounting software consultant and a CPA consultant to work with this office in order to put practices in place so the proper recording procedures will be used in the future. There will be ongoing training for our office bookkeeper to monitor and check that this is done correctly.

Anticipated Date of Completion:

November, 2008

Name of Contact Person:

Honorable Stephen Breese, Regional Superintendent

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2007**

FINDING NO. 07-9 – Controls Over Financial Statement Preparation

Condition:

The Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting. While the Regional Office maintains controls over some of the processing of accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

The Regional Office did not maintain adequate controls over the financial reporting process and numerous adjustments would have been required to present financial statements in accordance with generally accepted accounting principles. The Regional Office of Education #46 had significant problems with its accounting system and internal controls which caused the auditors to disclaim an opinion on the financial statements. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office incorrectly posted payroll to various individual grant and program payroll cash accounts throughout the general ledger. The incorrect postings caused negative balances in the program accounts when these balances should be zero at the end of each pay period. Regional Office management was unable to adjust the general ledger to reflect the correct balances.
- The general ledger included seven accounts for which the account code was invalid and did not assign the assets, liabilities, or fund balances to a specific program or fund. The largest of these was a Fund Balance/Retained Earnings account with a balance of \$19,230.
- The Regional Office does not record any accrual entries. As a result, entries were not made related to accounts receivable, accounts payable, or deferred revenues.
- The Regional Office does not have a system for approval of journal entries to assure they are accurate and appropriate.
- Various grants/programs in the general ledger had funds due to their granting agency that were prior year liabilities or unexpended grant funds from the current year. These funds were not returned to the granting agency. Management stated that they do not return funds unless the granting agency requests them.
- The Regional Office could not provide an auditable general ledger. Revenue and expenditure transactions posted to the general ledger were inconsistently accounted for and could not be properly tracked. There were also numerous transfers recorded in the

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2007**

FINDING NO. 07-9 – Controls Over Financial Statement Preparation (continued)

general ledger at the end of the fiscal year in an attempt to correct other transaction mispostings. These transfers were inconsistently posted and difficult to follow.

- The Regional Office was also not able to produce a government-wide trial balance or individual fund trial balances due to accounting system limitations.
- The Regional Office could not provide a complete listing of fixed assets over \$500. The fixed asset listing provided by the Regional Office did not record depreciation in accordance with the Regional Office's fixed asset policy for current year additions.

Because of problems related to the accuracy of the general ledger, auditors terminated work before testing was completed and issued a disclaimer of opinion on the financial statements for the year ended June 30, 2007.

Plan:

We have hired both an independent accounting software consultant and a CPA consultant to work with this office in order to put practices in place so the proper recording procedures will be used in the future. There will be ongoing training for our office bookkeeper to monitor and check that this is done correctly.

Anticipated Date of Completion:

November, 2008

Name of Contact Person:

Honorable Stephen Breese, Regional Superintendent

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2007**

Finding No.	Condition	Current Status
06-1	Controls Over Compliance with Laws and Regulations	
	A. Annual examination of all books, accounts, and vouchers of every school treasurer in the region.	Resolved - Public Act 95-496 repealed the requirements of 105 ILCS 5/3-14.11
	B. Report of all acts as county superintendent to the county board at its meeting in September and quarterly thereafter.	Repeated
	C. Visit of each public school in the region at least once a year.	Resolved - Public Act 95-496 repealed the requirements of 105 ILCS 5/3-14.5.
06-2	Inaccurate Expenditure Report	Repeated
06-3	Improper Expenditure Classification	Repeated
06-4	Reconciliation of Pooled Cash Account	Repeated
06-5	Undercollateralization of Bank Accounts	Repeated

BASIC FINANCIAL STATEMENTS

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current:	
Cash and cash equivalents	\$ 1,123,620
Due from other governments	10,300
Total current assets	<u>1,133,920</u>
Noncurrent:	
Capital assets, being depreciated, net	14,453
Total assets	<u>1,148,373</u>
LIABILITIES	
Current:	
Accounts payable	(4,334)
Due to other governments	1,941
Deferred revenue	12,029
Total liabilities	<u>9,636</u>
NET ASSETS	
Investment in capital assets, net of related debt	14,453
Unrestricted	1,072,924
Restricted for teacher professional development	<u>28,559</u>
Total net assets	<u><u>\$ 1,115,936</u></u>

These financial statements should be read only in connection with the accompanying independent auditor's report, summary of significant accounting policies, and notes to financial statements.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007**

EXHIBIT C

	General Fund	Education Fund	Alternative Schools Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 208,679	\$ 172,459	\$ 700,848	\$ 41,634	\$ 1,123,620
Due from other governments	-	10,300	-	-	10,300
TOTAL ASSETS	\$ 208,679	\$ 182,759	\$ 700,848	\$ 41,634	\$ 1,133,920
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	(22,804)	18,472	-	(2)	(4,334)
Due to other governments	-	661	-	1,280	1,941
Deferred revenue	-	12,029	-	-	12,029
Total liabilities	(22,804)	31,162	-	1,278	9,636
FUND BALANCES					
Unreserved, reported in:					
General fund	189,424	-	-	-	189,424
Special revenue funds	-	160,193	714,809	37,057	912,059
Total fund balances	189,424	160,193	714,809	37,057	1,101,483
TOTAL LIABILITIES AND FUND BALANCES	\$ 166,620	\$ 191,355	\$ 714,809	\$ 38,335	\$ 1,111,119

These financial statements should be read only in connection with the accompanying independent auditor's report, summary of significant accounting policies, and notes to financial statements.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007**

Total fund balances - governmental funds (page 40)	\$ 1,101,483
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>14,453</u>
Net assets of governmental activities (page 38)	<u><u>\$ 1,115,936</u></u>

These financial statements should be read only in connection with the
accompanying independent auditor's report, summary of significant
accounting policies, and notes to financial statements.

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

EXHIBIT E

	<u>General Fund</u>	<u>Education Fund</u>	<u>Alternative Schools Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Local sources	\$ 239,518	\$ 12,800	\$ 27,036	\$ 43,472	\$ 322,826
State sources	-	384,074	529,227	4,600	917,901
Federal sources	-	144,534	16,225	-	160,759
On-behalf payments	225,572	-	-	-	225,572
Total revenues	<u>465,090</u>	<u>541,408</u>	<u>572,488</u>	<u>48,072</u>	<u>1,627,058</u>
EXPENDITURES:					
Current:					
Education:					
Salaries	120,178	197,742	434,525	2,765	755,210
Benefits	41,875	51,297	77,298	210	170,680
Purchased services	38,588	72,732	44,083	32,412	187,815
Supplies and materials	14,139	44,870	11,638	25,892	96,539
Capital outlay	2,291	11,086	8,684	691	22,752
Payments to other governments	-	110,656	-	-	110,656
On-behalf payments	225,572	-	-	-	225,572
Total expenditures	<u>442,643</u>	<u>488,383</u>	<u>576,228</u>	<u>61,970</u>	<u>1,569,224</u>
NET CHANGES IN FUND BALANCES	22,447	53,025	(3,740)	(13,898)	57,834
FUND BALANCE, BEGINNING OF YEAR	<u>166,977</u>	<u>107,168</u>	<u>718,549</u>	<u>50,955</u>	<u>1,043,649</u>
FUND BALANCE, END OF YEAR	<u>\$ 189,424</u>	<u>\$ 160,193</u>	<u>\$ 714,809</u>	<u>\$ 37,057</u>	<u>\$ 1,101,483</u>

These financial statements should be read only in connection with the accompanying independent auditor's report, summary of significant accounting policies, and notes to financial statements.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
 REGIONAL OFFICE OF EDUCATION #46
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2007**

Net change in fund balances (page 42) \$ 57,834

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

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

Capital outlay	\$ 7,115	
Depreciation expense	<u>(7,450)</u>	<u>(335)</u>

Change in net assets of governmental activities (page 39) \$ 57,499

These financial statements should be read only in connection with the
 accompanying independent auditor's report, summary of significant
 accounting policies, and notes to financial statements.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2007**

The Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 is an entity that is a result of two Educational Service Regions becoming a Regional Office of Education as of August 7, 1995. The Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 operates under the School Code (105 ILCS 5/3 and 5/3A). The Regional Office of Education #46 encompasses the Brown, Cass, Morgan, and Scott Counties, Illinois. A Regional Superintendent of Schools serves as Chief Administrative Officer of the Regional Office of Education #46 and is elected pursuant to 105 ILCS 5/3 and 5/3A of the School Code. The principal financial duty of the Regional Superintendent is to receive and distribute monies due to school districts from general State aid, State categorical grants, and various other sources.

The functions of the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 include, but are not limited to the following:

- processing teachers' certificates;
- teaching initial and refresher classes for school bus drivers within the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46;
- reviewing life/safety requirements for schools in conjunction with the State of Illinois;
- issuing newsletters regarding new Illinois life/safety requirements; and
- monitoring compliance with State laws and Department of Education policies and procedures.

The Regional Superintendent's responsibilities for administering the school educational service region programs include, but are not limited to: providing directions to teachers and school officials on science, art and teaching methods; implementing the State Board of Education's Policy Programs; encouraging camaraderie among teachers through the teachers' institute; making public notice of unfilled teaching positions within the region; and ensuring of the safety, health, and welfare of the students in the region by periodically inspecting the school buildings and ensuring that the bus drivers have valid driving licenses and are properly trained to operate the school buses. Further, the Regional Superintendent receives an allocation of school funds from the State Board of Education and apportions these funds to the school districts in accordance with the State Board of Education's formula.

The Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 has no distributive fund since the State of Illinois maintains responsibility for the function of distributing State and federal aid to individual school districts.

The financial statements of the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The following is a summary of the significant accounting policies:

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2007**

REPORTING ENTITY

For financial reporting purposes, the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 has included all funds, organizations, agencies, boards, commissions and authorities. The Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 are such that exclusion would cause the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46. The Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 has no component units that meet the Governmental Accounting Standards Board criteria and is not a component unit of any other entity.

BASIS OF PRESENTATION

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the activities of the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by intergovernmental and local revenues.

The Statement of Net Assets presents the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. *Invested in capital assets, net of related debt* consist of capital assets, net of accumulated depreciation and reduced by outstanding balances for any debt attributable to the acquisition, construction or improvement of those assets.
2. *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management that can be removed or modified.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2007**

BASIS OF PRESENTATION (CONTINUED)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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, contributions, and interest restricted to meeting the operational requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 reports the following major governmental funds:

The General Fund is the operating fund of the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The following funds comprise the General Fund:

Office Fund - This fund is used to account for County and miscellaneous local revenue to be used at the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46's discretion.

The following funds comprise the Office Fund:

Office County Fund – to account for local revenues and disbursements related to County support.

Pre-K Forum Fund – to account for local revenues and disbursements related to the Pre-K education program.

Gifted Startup Fund – to account for local revenues and disbursements related to the Gifted education program.

Gifted District Fund – to account for local revenues and disbursements related to the Gifted education program.

Unallocated Interest Fund – to account for local revenues and disbursements related to earned interest until it was allocated.

CBS Foundation Fund – to account for local revenues and disbursements related to the CBS alternative school program.

BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2007

BASIS OF PRESENTATION (CONTINUED)

Morgan/Scott Discretionary Fund – to account for local revenues and disbursements related to all ROE programs.

School Directory Fund – to account for local revenues and disbursements related to publishing the school directory.

Payroll Agency – to account for revenues and disbursements related to payroll operations.

IPTIP Fund – to account for interest revenues on state payments made through the FRIS & Illinois Funds to this office.

Distributive Interest Fund - This fund is used to account for interest from former Distributive Fund funds that are to be used for general operations that benefit all counties in the region.

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than fiduciary or major capital projects) that are legally restricted to expenditure for specified purposes. The major special revenue funds include the following:

Education Fund:

ROE/ISC School Improvement Fund - This fund is used to account for costs associated with improving school programs and policies for the districts within the region.

Dental Sealant Fund - This fund is used to account for the costs associated with providing the dental sealant program to Morgan and Scott County schools.

Math Performance Descriptors Fund - This fund is used to account for materials necessary for maintaining math standards for school districts within the region.

Truants Alternative/Optional Education Fund - This fund is used to account for a grant that provides truancy guidance and alternative education options for applicable students within the region.

Regional Safe Schools Fund - This fund is used to account for a grant that provides additional staff and materials for the alternative schools in the region.

ROE/ISC Operations Fund - This fund is used to account for a grant that provides operating funds for the region.

Step by Step Fund - This fund is used to account for a grant that provides training for various school improvement approaches within the region.

Department of Commerce and Economic Opportunity Fund - This fund is used to account for a grant that provides funding for various operational activities within the region.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2007**

BASIS OF PRESENTATION (CONTINUED)

21st Century Community Learning Centers Fund - This fund is used to account for a grant that provides after school activities for at-risk students within the region.

Title I - Reading First Part B SEA Fund - This fund is used to account for a grant that promotes the importance of reading development for the students within the region.

Title IV - Community Service Fund - This fund is used to account for a grant that provides community service based projects for students within the region.

Administrator's Academy Fund - This fund is used to account for a grant that provides workshops and support to administrators within the region.

McKinney Education for Homeless Children - This fund is used to account for a grant that provides assistance for homeless children within school districts.

Standards Aligned Classroom Fund - This fund is used to account for reimbursements for providing services to schools for aligning classrooms to the standards.

Title V - Innovative Programs Fund - This fund is used to account for a grant to provide professional development opportunities for teachers.

Title IV - Safe and Drug Free Schools - Formula Fund - This fund is used to account for a grant to provide teachers with professional development opportunities related to maintaining a safe and drug free school.

Title II - Teacher Quality Fund - This fund is used to account for a grant to provide professional development opportunities for teachers.

Teen Reach - Department of Health and Human Services (DHHS) Fund - This fund is used to account for a grant to provide a teen reach after school program for students in the region.

Cass County Teen Reach - Department of Health and Human Services (DHHS) Fund - This fund is used to account for a grant to provide a teen reach after school program for students in the region.

Lice Busters Fund - This fund is used to account for a grant that provides lice treatment for students within the region.

Kindergarten Standards Fund - This was a new grant this year to make information available on kindergarten standards to teachers and schools Statewide. The money was passed through ROE #27.

Feasibility Study - The grant was to fund a Reorganization Feasibility Study for Triopia CUSD 27/ Virginia CUSD 64/ Meredosia-Chambersburg CUSD 11 and Scott-Morgan CUSD 2.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2007**

BASIS OF PRESENTATION (CONTINUED)

The Alternative Schools Fund is used to account for the activities and programs of the alternative schools within the region.

The following funds comprise the Alternative Schools Fund:

Undefinable Beardstown Operations Fund – to account for local revenues and disbursements related to the alternative school and other ROE programs.

Registration Fees Fund – to account for local revenues and disbursements related to the alternative school programs.

Paid Lunches Fund – to account for local revenues and disbursements related to school lunches.

State Lunch Fund – to account for state revenues and disbursements related to school lunches.

National School Lunch Fund – to account for federal revenues and disbursements related to school lunches.

School Breakfast Fund – to account for local, state, & federal revenues and disbursements related to school lunches.

State Aid Fund – to account for local revenues and disbursements related to general state aid.

The Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 reports the following nonmajor special revenue funds:

Institute Fund - This fund is used to account for activities associated with the recertification process for teachers, and expenses of meetings of a professional nature. All funds generated remain restricted until expended only on the aforementioned activities.

Bus Driver Fund - This fund is used to account for the testing and training of bus drivers for the districts within the region.

General Education Development Fund - This fund is used to account for administration of General Education Development testing for applicants within the region.

Supervisory Fund - This fund is used to account for monies that are used by the Regional Superintendent and the Assistant Regional Superintendent for travel and other related expenses.

Film Coop Fund - This fund is used to account for library and video materials that are available to all the districts in the region.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2007**

BASIS OF PRESENTATION (CONTINUED)

WCI Schoolmasters Association Fund - This fund is used to account for activities associated with the West Central Illinois Schoolmasters Association.

Identix Fingerprinting Fund - This fund is used to account for a fee assessed to Districts and the expenses associated with providing background check/fingerprinting services.

Project Inquire Fund - This fund is used to account for reimbursements for providing services to Two Rivers Professional Development Center.

Job Bank Fund - This fund is used to account for a fee assessed to Districts and the expenses associated with posting job openings on the State website.

ROE Program Support Fund - This fund is used to account for local support for after school programs in the region.

Workshop Fund - This fund is used to account for various workshops held to benefit school districts within the region.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
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June 30, 2007**

The Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 records on-behalf payments made by the State to the Teachers' Retirement System as revenue and expenditures.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Capital asset acquisitions are reported as expenditures in governmental funds.

Under the terms of grant agreements, the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funding resources available to finance the program. It is the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 maintains its financial records on the cash basis. The financial statements of the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 are prepared by making memorandum adjusting entries to the cash basis financial records.

ASSETS, LIABILITIES AND FUND EQUITY

The following accounting policies are followed in preparing the balance sheet:

Cash and cash equivalents - Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 considers all investments in certificates of deposit with maturities within one year to be cash equivalents.

Capital assets - Capital assets, which include furniture and equipment, are reported in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 as assets with an initial, individual cost in excess of \$500 and estimated useful lives in excess of two years. Capital assets are depreciated using the straight line method over 5-10 years.

Deferred revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unexpended grant proceeds.

BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2007

Fund equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted net assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as supplementary information.

The Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 did not formally adopt a budget for the year ended June 30, 2007 and is not legally required to do so. The Illinois State Board of Education and Department of Human Services require budgets for certain programs. These budgets were used to prepare budgetary comparison schedules for the following programs: Truants Alternative/Optional Education Fund, Regional Safe Schools Fund, ROE/ISC Operations Fund, Title V – Innovative Programs Fund, Title IV - Safe and Drug Free Schools - Formula Fund, Title II - Teacher Quality Fund, and Teen Reach DHHS Fund.

This information is an integral part of the accompanying financial statements.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 1 - DEPOSITS AND INVESTMENTS

The deposit and investment of monies is governed by the provisions of the Illinois Compiled Statutes. At June 30, 2007, the carrying amount of the deposits was \$1,123,620 (net of overdrafts) and the bank balance was \$1,168,409.

Deposits

Custodial credit risk - Custodial credit risk is the risk that in the event of a bank failure, Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46's deposits may not be returned. Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 does not have a deposit policy for custodial credit risk. As of June 30, 2007, \$30,579 of Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46's bank balance of \$1,168,409 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 30,579</u>
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Investments

Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 does not have a formal investment policy, as its only investments are internally pooled in the Illinois Funds Money Market Fund. As of June 30, 2007, Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 had investments with carrying and fair values of \$3,445 invested in the Illinois Funds Money Market Fund.

Credit risk - At June 30, 2007 the Illinois Funds Money Market Fund had a Standard and Poor's AAA rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

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

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

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 2 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007 is as follows:

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Governmental activities:				
Furniture and equipment	\$ 73,586	\$ 7,115	\$ -	\$ 80,701
Less accumulated depreciation	<u>58,798</u>	<u>7,450</u>	<u>-</u>	<u>66,248</u>
Total capital assets, net	<u>\$ 14,788</u>	<u>\$ (335)</u>	<u>\$ -</u>	<u>\$ 14,453</u>

Depreciation expense was charged as follows:

Governmental activities:	
Education:	
Depreciation expense	<u>\$ 7,450</u>

NOTE 3 - DUE FROM/TO OTHER GOVERNMENTS

The detail of due from/to other governments for the year ended June 30, 2007 is as follows:

	<u>Due From</u>	<u>Due To</u>
Education Fund		
Title V - Innovative Programs Fund		
Illinois State Board of Education	\$ -	\$ 590
Title II - Teacher Quality Fund		
Illinois State Board of Education	-	71
Teen Reach - DHHS Fund		
Illinois Department of Human Services	10,300	-
Other Nonmajor Funds		
Institute Fund	<u>-</u>	<u>1,280</u>
Total	<u>\$ 10,300</u>	<u>\$ 1,941</u>

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 4 - EMPLOYEE BENEFIT PLANS

The Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46's employees are covered under the Illinois Municipal Retirement Fund. Contributions to the Fund are made by the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 on behalf of the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 staff employees and grant coordinators.

The Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 is a participating member of the Illinois Municipal Retirement Fund whose coverage includes all the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 employees who:

- a. Occupy a job normally requiring 1,000 hours or more per year;
- b. are paid on a regular payroll from the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 funds;
- c. were under age sixty when first entering employment; and
- d. are not covered by another state created retirement system for the same service.

Employees not qualifying above are considered as "nonparticipating employees" and are covered under Social Security.

The Regional Superintendent and the Assistant Regional Superintendent of the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 are paid by the State of Illinois.

Illinois Municipal Retirement Fund

The Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a financial report that includes financial statements and required supplementary information. The report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by State statute. The Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2006 was 9.92% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2006 was 9 years.

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 4 - EMPLOYEE BENEFIT PLANS (CONTINUED)

For December 31, 2006, the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46's annual pension cost of \$30,337 was equal to the Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46's required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2006 actuarial valuation were based on the 2002-2004 experience study.

TREND INFORMATION

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/06	\$ 30,337	100%	\$ -
12/31/05	24,415	100%	-
12/31/04	53,618	100%	-
12/31/03	31,179	100%	-
12/31/02	21,731	100%	-
12/31/01	28,877	100%	-
12/31/00	21,784	100%	-
12/31/99	13,593	100%	-
12/31/98	8,214	100%	-
12/31/97	3,783	100%	-

BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 - EMPLOYEE BENEFIT PLANS (CONTINUED)

Teachers' Retirement System of the State of Illinois

The Regional Office of Education #46 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2007, was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. In addition, virtually all employers and members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The Regional Office of Education #46 THIS Fund contribution was 0.6 percent during the year ended June 30, 2007, and the member THIS Fund health insurance contribution was 0.80 percent.

The State of Illinois makes contributions directly to TRS on behalf of the Regional Office of Education #46's TRS-covered employees.

- **On-behalf Contributions.** The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #46. For the year ended June 30, 2007, the State of Illinois contributions were based on 9.78 percent of creditable earnings, and the Regional Office of Education #46 recognized revenue and expenditures of \$35,226 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2006, and June 30, 2005, the State of Illinois contribution rates as percentages of creditable earnings were 7.06 percent (\$36,338) and 9 percent (\$28,899), respectively.

The State contributions to TRS for years ended June 30, 2007 and June 30, 2006 were based on dollar amounts specified by the statute and were not actuarially determined the State contributions for year ended June 30, 2005 were based on an actuarial formula.

The Regional Office of Education #46 makes other types of employer contributions directly to TRS.

- **2.2 Formula Contributions.** Employers contribute 0.58 percent of creditable earnings for the 2.2 formula change. Contribution for the year ended June 30, 2007 was \$2,089. Contributions for the years ending June 30, 2006, and June 30, 2005, were \$2,246 and \$1,862, respectively.

BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 - EMPLOYEE BENEFIT PLANS (CONTINUED)

- **Federal and Trust Fund Contributions.** When TRS members are paid from federal and trust funds administered by the Regional Office of Education #46, there is a statutory requirement for the Regional Office of Education #46 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and trust funds will be the same as the state contribution rate for TRS. For the year ended June 30, 2007, the employer pension contribution was 9.78 percent of salaries paid from federal and trust funds. For the year ended June 30, 2006, the employer pension contribution was 7.06 percent of salaries paid from those funds. For the year ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2007, there were no salaries paid from federal and trust funds. For the years ended June 30, 2006 the contribution was \$2,995. For June 30, 2005, there were no salaries that qualified for this plan.
- **Early Retirement Option.** The Regional Office of Education #46 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 and under which ERO program the member retires.

Under Public Act 94-0004, a "Pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007. If members do not meet these conditions, they can retire under the "Modified ERO" program which requires higher member and employer contributions to TRS. Also, under Modified ERO, Public Act 94-0004 eliminates the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service (unless the member qualifies in the Pipeline ERO).

Under the ERO program that expired on June 30, 2005, and the Pipeline ERO, the maximum employer contribution is 100 percent of the member's highest salary used in the final average salary calculation.

Under the Modified ERO, the maximum employer contribution is 117.5 percent. Both the 100 percent and 117.5 percent maximums apply when the member is age 55 at retirement.

For the year ended June 30, 2007, the Regional Office of Education #46 paid nothing to TRS for employer contributions under Pipeline ERO and Modified ERO programs. For the years ended June 30, 2006 and June 30, 2005, the Regional Office of Education #46 also made no contribution in either year.

- **Salary Increases Over 6 Percent and Excess Sick Leave.** Public Act 94-0004 added two new employer contributions to TRS.

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

BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 - EMPLOYEE BENEFIT PLANS (CONTINUED)

contribution will cover the difference in the actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases of up to 6 percent.

For the years ended June 30, 2007 and June 30, 2006, the Regional Office of Education #46 did not have any payments to TRS for employer contributions due on salary increases in excess of 6 percent.

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 used to calculate final average salary, and the TRS total normal cost rate (17.60 percent of salary during the year ended June 30, 2007).

For the year ended June 30, 2007, the Regional Office of Education #46 did not have any employer contributions granted for sick leave days in excess of the normal annual allotment.

TRS financial information, an explanation of TRS' benefits, and descriptions of member, employer and state funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2006. The report for the year ended June 30, 2007, is expected to be available in late 2007. The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, IL 62794-9253. The most current report is also available on the TRS Web site at www.trs.illinois.gov.

NOTE 5 - DEFICIT FUND BALANCES

The following funds had deficit fund balances at June 30, 2007. The deficits will be covered by normal operations or fund transfers.

General Fund	
Office Fund Accounts	
Gifted District Fund	\$(3,892)
Payroll Agency	(405)
Education Fund	
21 st Century Community Learning Centers Fund	(7,719)
ROE/ISC Operations Fund	(429)
Title IV - Community Service Fund	(136)
Title V – Innovative Programs Fund	(255)
Title IV - Safe and Drug Free Schools – Formula Fund	(186)
Kindergarten Standards Fund	(1,006)
Alternative Schools Fund	
Undefinable Beardstown Operations Fund	(2)
State Lunch Fund	(242)
Other Nonmajor Funds	
General Education Development Fund	(1,319)
Supervisory Fund	(1,165)
Identix Fingerprinting Fund	(788)

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 6 - ON-BEHALF PAYMENTS

Salaries of the Regional Superintendent and the Assistant Regional Superintendent are paid by the State of Illinois. The State of Illinois and the respective employees also pay pension plan contributions associated with these salaries. The Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 pays all other salaries.

On-behalf payments are as follows:

Regional Superintendent - salary	\$ 84,737
Regional Superintendent - benefits (includes State paid insurance)	14,927
Assistant Regional Superintendent - salary	76,263
Assistant Regional Superintendent - benefits (includes State paid insurance)	14,419
TRS on-behalf payments	<u>35,226</u>
Total on-behalf payments	<u>\$ 225,572</u>

Salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education.

NOTE 7 - NEW PRONOUNCEMENTS

In 2007, Brown, Cass, Morgan, and Scott Counties Regional Office of Education #46 adopted Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The Regional Office of Education #46 implemented this standard during the current year, however, it has no impact on the financial statements.

This information is an integral part of the accompanying financial statements.

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

**BROWN, CASS, MORGAN, AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FUNDING PROGRESS - IMRF (Unaudited)
June 30, 2007**

SCHEDULE OF FUNDING PROGRESS

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)
12/31/06	\$ 709,954	\$ 704,259	\$ (5,695)	100.81%	\$ 305,817	0.00%
12/31/05	620,006	610,067	(9,939)	101.63%	390,022	0.00%
12/31/04	547,640	560,390	12,750	97.72%	340,432	3.75%
12/31/03	463,196	458,809	(4,387)	100.96%	291,397	0.00%
12/31/02	402,190	483,209	81,019	83.23%	339,552	23.86%
12/31/01	380,910	394,004	13,094	96.68%	362,778	3.61%
12/31/00	323,790	296,623	(27,167)	109.16%	314,797	0.00%
12/31/99	254,571	241,214	(13,357)	105.54%	270,795	0.00%
12/31/98	187,357	167,547	(19,810)	111.82%	169,013	0.00%
12/31/97	142,772	112,804	(29,968)	126.57%	151,349	0.00%

On a market value basis, the actuarial value of assets as of December 31, 2006 is \$749,015. On a market basis, the funded ratio would be 106.36 percent.

***Digest of Changes**

The actuarial assumptions used to determine the actuarial accrued liability for 2006 are based on the 2002-2004 Experience Study. The principal changes were:

- The 1994 Group Annuity Mortality implemented.
- For regular members, fewer normal and more early retirements are expected to occur.

SLEP Member contribution rate changed from 6.50% to 7.50% effective June 1, 2006.

OTHER SUPPLEMENTARY INFORMATION

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
 REGIONAL OFFICE OF EDUCATION #46
 COMBINING SCHEDULE OF ACCOUNTS
 GENERAL FUND
 June 30, 2007**

	<u>Office Fund</u>	<u>Distributive Interest Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ 206,205</u>	<u>\$ 2,474</u>	<u>\$ 208,679</u>
TOTAL ASSETS	<u><u>\$ 206,205</u></u>	<u><u>\$ 2,474</u></u>	<u><u>\$ 208,679</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	<u>(22,804)</u>	<u>-</u>	<u>(22,804)</u>
FUND BALANCES			
Unreserved	<u>186,950</u>	<u>2,474</u>	<u>189,424</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 164,146</u></u>	<u><u>\$ 2,474</u></u>	<u><u>\$ 166,620</u></u>

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GENERAL FUND ACCOUNTS
Year Ended June 30, 2007**

	<u>Office Fund</u>	<u>Distributive Interest Fund</u>	<u>Total</u>
REVENUES:			
Local sources	\$ 238,852	\$ 666	\$ 239,518
On-behalf payments	<u>225,572</u>	<u>-</u>	<u>225,572</u>
Total revenues	<u>464,424</u>	<u>666</u>	<u>465,090</u>
EXPENDITURES:			
Current:			
Education:			
Salaries	120,178	-	120,178
Benefits	41,875	-	41,875
Purchased services	38,108	480	38,588
Supplies and materials	13,559	580	14,139
Capital Outlay	2,291	-	2,291
On-behalf payments	<u>225,572</u>	<u>-</u>	<u>225,572</u>
Total expenditures	<u>441,583</u>	<u>1,060</u>	<u>442,643</u>
NET CHANGES IN FUND BALANCES	22,841	(394)	22,447
FUND BALANCE, BEGINNING OF YEAR	<u>164,109</u>	<u>2,868</u>	<u>166,977</u>
FUND BALANCE, END OF YEAR	<u>\$ 186,950</u>	<u>\$ 2,474</u>	<u>\$ 189,424</u>

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
 REGIONAL OFFICE OF EDUCATION #46
 COMBINING SCHEDULE OF ACCOUNTS
 OFFICE FUND
 Year Ended June 30, 2007**

	<u>Office County Fund</u>	<u>Pre-K Forum Fund</u>	<u>Gifted Startup Fund</u>	<u>Gifted District Fund</u>
ASSETS				
Cash (overdraft) and cash equivalents	\$ 164,798	\$ 4,071	\$ 4,473	\$ (4,281)
Prepaid expenses	-	-	-	-
TOTAL ASSETS	<u><u>\$ 164,798</u></u>	<u><u>\$ 4,071</u></u>	<u><u>\$ 4,473</u></u>	<u><u>\$ (4,281)</u></u>
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Accounts payable	-	-	-	-
FUND BALANCE (DEFICIT)				
Fund balance (deficit), unreserved and undesignated	<u>167,887</u>	<u>4,071</u>	<u>4,545</u>	<u>(3,892)</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u><u>\$ 167,887</u></u>	<u><u>\$ 4,071</u></u>	<u><u>\$ 4,545</u></u>	<u><u>\$ (3,892)</u></u>

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF ACCOUNTS
OFFICE FUND
Year Ended June 30, 2007**

	<u>Unallocated Interest Fund</u>	<u>CBS Foundation Fund</u>	<u>Morgan/Scott Discretionary Fund</u>	<u>School Directory Fund</u>	<u>Payroll Agency</u>
ASSETS					
Cash (overdraft) and cash equivalents	\$ 12,141	\$ 10	\$ 800	\$ 1	\$ 22,400
Prepaid expenses	-	-	-	-	-
TOTAL ASSETS	<u>\$ 12,141</u>	<u>\$ 10</u>	<u>\$ 800</u>	<u>\$ 1</u>	<u>\$ 22,400</u>
LIABILITIES AND FUND BALANCES (DEFICIT)					
LIABILITIES					
Accounts payable	-	-	-	-	(22,804)
FUND BALANCE (DEFICIT)					
Fund balance (deficit), unreserved and undesignated	12,141	10	800	1	(405)
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ 12,141</u>	<u>\$ 10</u>	<u>\$ 800</u>	<u>\$ 1</u>	<u>\$ (23,209)</u>

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF ACCOUNTS
OFFICE FUND
Year Ended June 30, 2007**

	<u>IPTIP Fund</u>	<u>Total</u>
ASSETS		
Cash (overdraft) and cash equivalents	\$ 1,792	\$ 206,205
Prepaid expenses	-	-
TOTAL ASSETS	<u><u>\$ 1,792</u></u>	<u><u>\$ 206,205</u></u>
LIABILITIES AND FUND BALANCES (DEFICIT)		
LIABILITIES		
Accounts payable	-	<u>(22,804)</u>
FUND BALANCE (DEFICIT)		
Fund balance (deficit), unreserved and undesignated	<u>1,792</u>	<u>186,950</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u><u>\$ 1,792</u></u>	<u><u>\$ 164,146</u></u>

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
OFFICE FUND ACCOUNTS
Year Ended June 30, 2007

SCHEDULE 4

	Office County Fund	Pre-K Forum Fund	Gifted Start-up Fund	Gifted District Fund
REVENUES:				
Local sources	\$ 201,181	\$ -	\$ 4,584	\$ 19,750
On-behalf payments	225,572	-	-	-
Total revenues	426,753	-	4,584	19,750
EXPENDITURES:				
Current:				
Education:				
Salaries	103,949	-	-	16,229
Benefits	41,113	-	-	762
Purchased services	25,845	-	7,634	3,644
Supplies and materials	11,391	-	1,901	267
Capital outlay	2,291	-	-	-
On-behalf payments	225,572	-	-	-
Total expenditures	410,161	-	9,535	20,902
NET CHANGE IN FUND BALANCES	16,592	-	(4,951)	(1,152)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	151,295	4,071	9,496	(2,740)
FUND BALANCE (DEFICIT), RESERVED, END OF YEAR	\$ 167,887	\$ 4,071	\$ 4,545	\$ (3,892)

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
 REGIONAL OFFICE OF EDUCATION #46
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 OFFICE FUND ACCOUNTS
 Year Ended June 30, 2007**

**SCHEDULE 4
 (CONTINUED)**

	Unallocated Interest Fund	CBS Foundation Fund	Morgan/Scott Discretionary Fund	School Directory Fund
REVENUES:				
Local sources	\$ 12,141	\$ -	\$ -	\$ 980
On-behalf payments	-	-	-	-
Total revenues	12,141	-	-	980
EXPENDITURES:				
Current:				
Education:				
Salaries	-	-	-	-
Benefits	-	-	-	-
Purchased services	-	5	-	980
Supplies and materials	-	-	-	-
Capital outlay	-	-	-	-
On-behalf payments	-	-	-	-
Total expenditures	-	5	-	980
NET CHANGE IN FUND BALANCES	12,141	(5)	-	-
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	-	15	800	1
FUND BALANCE (DEFICIT), RESERVED, END OF YEAR	\$ 12,141	\$ 10	\$ 800	\$ 1

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
OFFICE FUND ACCOUNTS
Year Ended June 30, 2007**

**SCHEDULE 4
(CONTINUED)**

	Payroll Agency	IPTIP Fund	Total
REVENUES:			
Local sources	\$ -	\$ 216	\$ 238,852
On-behalf payments	-	-	225,572
Total revenues	-	216	464,424
EXPENDITURES:			
Current:			
Education:			
Salaries			120,178
Benefits	-	-	41,875
Purchased services	-	-	38,108
Supplies and materials	-	-	13,559
Capital outlay	-	-	2,291
On-behalf payments	-	-	225,572
Total expenditures	-	-	441,583
NET CHANGE IN FUND BALANCES	-	216	22,841
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	(405)	1,576	164,109
FUND BALANCE (DEFICIT), RESERVED, END OF YEAR	\$ (405)	\$ 1,792	\$ 186,950

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
Year Ended June 30, 2007**

	<u>ROE/ISC School Improvement Fund</u>	<u>Dental Sealant Fund</u>	<u>Math Performance Descriptors Fund</u>	<u>Truants Alternative/ Optional Education Fund</u>	<u>Regional Safe Schools Fund</u>	<u>ROE/ISC Operations Fund</u>
ASSETS						
Cash (overdrafts) and cash equivalents	\$ 808	\$ 4,598	\$ 336	\$ 10,645	\$ 10,808	\$ (916)
Due from other governments	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 808</u>	<u>\$ 4,598</u>	<u>\$ 336</u>	<u>\$ 10,645</u>	<u>\$ 10,808</u>	<u>\$ (916)</u>
LIABILITIES AND FUND BALANCE (DEFICIT)						
LIABILITIES						
Accounts payable	-	-	-	-	6,010	-
Due to other governments	-	-	-	-	-	-
Deferred revenue	-	-	-	8,020	677	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,020</u>	<u>6,687</u>	<u>-</u>
FUND BALANCE (DEFICIT)						
Fund balance (deficit), unreserved and undesignated	<u>808</u>	<u>4,598</u>	<u>336</u>	<u>3,930</u>	<u>6,348</u>	<u>(429)</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ 808</u>	<u>\$ 4,598</u>	<u>\$ 336</u>	<u>\$ 11,950</u>	<u>\$ 13,035</u>	<u>\$ (429)</u>

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
Year Ended June 30, 2007

	<u>Step by Step Fund</u>	<u>Department of Commerce and Economic Opportunity Fund</u>	<u>21st Century Community Learning Centers Fund</u>	<u>Title I - Reading First Part B SEA Fund</u>	<u>Title IV - Community Service Fund</u>	<u>Administrator's Academy Fund</u>
ASSETS						
Cash (overdrafts) and cash equivalents	\$ 108,877	\$ 28	\$ (7,719)	\$ 5,825	\$ (136)	\$ (3,299)
Due from other governments	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 108,877</u>	<u>\$ 28</u>	<u>\$ (7,719)</u>	<u>\$ 5,825</u>	<u>\$ (136)</u>	<u>\$ (3,299)</u>
LIABILITIES AND FUND BALANCE (DEFICIT)						
LIABILITIES						
Accounts payable	-	-	-	1,971	-	-
Due to other governments	-	-	-	-	-	-
Deferred revenue	-	-	-	3,332	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,303</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT)						
Fund balance (deficit), unreserved and undesignated	<u>110,138</u>	<u>28</u>	<u>(7,719)</u>	<u>522</u>	<u>(136)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ 110,138</u>	<u>\$ 28</u>	<u>\$ (7,719)</u>	<u>\$ 5,825</u>	<u>\$ (136)</u>	<u>\$ -</u>

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
Year Ended June 30, 2007

	McKinney Education for Homeless Children Fund	Standards Aligned Classroom Fund	Title V - Innovative Programs Fund	Title IV - Safe and Drug Free Schools - Formula Fund	Title II - Teacher Quality Fund	Teen Reach - DHHS Fund
ASSETS						
Cash (overdrafts) and cash equivalents	\$ (139)	\$ 12,567	\$ 537	\$ 3	\$ 1,087	\$ 20,729
Due from other governments	-	-	-	-	-	10,300
TOTAL ASSETS	\$ (139)	\$ 12,567	\$ 537	\$ 3	\$ 1,087	\$ 31,029
LIABILITIES AND FUND BALANCE (DEFICIT)						
LIABILITIES						
Accounts payable	-	-	-	189	37	10,265
Due to other governments	-	-	590	-	71	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	-	590	189	108	10,265
FUND BALANCE (DEFICIT)						
Fund balance (deficit), unreserved and undesignated	127	12,567	(255)	(186)	978	20,764
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 127	\$ 12,567	\$ 335	\$ 3	\$ 1,086	\$ 31,029

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
Year Ended June 30, 2007

	Cass County Teen Reach - DHHS Fund	Lice Busters Fund	Kindergarten Standards Fund	Feasibility Study	Total
ASSETS					
Cash (overdrafts) and cash equivalents	\$ 127	\$ 1,700	\$ (1,007)	\$ 7,000	\$ 172,459
Due from other governments	-	-	-	-	10,300
TOTAL ASSETS	<u>\$ 127</u>	<u>\$ 1,700</u>	<u>\$ (1,007)</u>	<u>\$ 7,000</u>	<u>\$ 182,759</u>
LIABILITIES AND FUND BALANCE (DEFICIT)					
LIABILITIES					
Accounts payable	-	-	-	-	18,472
Due to other governments	-	-	-	-	661
Deferred revenue	-	-	-	-	12,029
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,162</u>
FUND BALANCE (DEFICIT)					
Fund balance (deficit), unreserved and undesignated	<u>127</u>	<u>1,653</u>	<u>(1,006)</u>	<u>7,000</u>	<u>160,193</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ 127</u>	<u>\$ 1,653</u>	<u>\$ (1,006)</u>	<u>\$ 7,000</u>	<u>\$ 191,355</u>

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
 REGIONAL OFFICE OF EDUCATION #46
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 Year Ended June 30, 2007**

	ROE/ISC School Improvement Fund	Dental Sealant Fund	Math Performance Descriptors Fund	Truants Alternative/ Optional Education Fund	Regional Safe Schools Fund	ROE/ISC Operations Fund
REVENUES:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	122,226	108,979	68,981
Federal sources	-	5,815	-	-	-	-
Total revenues	<u>-</u>	<u>5,815</u>	<u>-</u>	<u>122,226</u>	<u>108,979</u>	<u>68,981</u>
EXPENDITURES:						
Current:						
Education:						
Salaries	-	-	-	52,715	63,439	42,072
Benefits	-	-	-	17,058	18,805	14,943
Purchased services	-	1,633	-	23,868	8,821	1,186
Supplies and materials	-	540	-	24,655	9,275	-
Capital outlay	-	-	-	-	-	11,086
Payments to other governments	-	-	-	-	2,291	-
Total expenditures	<u>-</u>	<u>2,173</u>	<u>-</u>	<u>118,296</u>	<u>102,631</u>	<u>69,287</u>
NET CHANGES IN FUND BALANCES	-	3,642	-	3,930	6,348	(306)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>808</u>	<u>956</u>	<u>336</u>	<u>-</u>	<u>-</u>	<u>(123)</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 808</u>	<u>\$ 4,598</u>	<u>\$ 336</u>	<u>\$ 3,930</u>	<u>\$ 6,348</u>	<u>\$ (429)</u>

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2007

	Step by Step Fund	Department of Commerce and Economic Opportunity Fund	21st Century Community Learning Centers Fund	Title I - Reading First Part B SEA Fund	Title IV - Community Service Fund	Administrator's Academy Fund
REVENUES:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	88,888	-	-	-	-	-
Federal sources	-	-	-	2,827	-	-
Total revenues	<u>88,888</u>	<u>-</u>	<u>-</u>	<u>2,827</u>	<u>-</u>	<u>-</u>
EXPENDITURES:						
Current:						
Education:						
Salaries	24,150	-	-	-	-	-
Benefits	350	-	-	-	-	-
Purchased services	26,488	-	-	1,971	-	-
Supplies and materials	6,786	-	-	334	-	-
Capital outlay	-	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-
Total expenditures	<u>57,774</u>	<u>-</u>	<u>-</u>	<u>2,305</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	31,114	-	-	522	-	-
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>79,024</u>	<u>28</u>	<u>(7,719)</u>	<u>-</u>	<u>(136)</u>	<u>-</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 110,138</u>	<u>\$ 28</u>	<u>\$ (7,719)</u>	<u>\$ 522</u>	<u>\$ (136)</u>	<u>\$ -</u>

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2007

	McKinney Education for Homeless Children Fund	Standards Aligned Classroom Fund	Title V - Innovative Programs Fund	Title IV - Safe and Drug Free Schools - Formula Fund	Title II - Teacher Quality Fund	Teen Reach - DHHS Fund
REVENUES:						
Local sources	\$ 11,000	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	(12,000)	-	-	-	-
Federal sources	-	-	125	180	2,787	132,800
Total revenues	<u>11,000</u>	<u>(12,000)</u>	<u>125</u>	<u>180</u>	<u>2,787</u>	<u>132,800</u>
EXPENDITURES:						
Current:						
Education:						
Salaries	9,064	4,667	-	-	-	1,201
Benefits	-	68	-	-	-	-
Purchased services	2,431	361	396	369	1,815	2,505
Supplies and materials	189	735	-	-	-	-
Capital outlay	-	-	-	-	-	-
Payments to other governments	-	-	-	-	-	108,365
Total expenditures	<u>11,684</u>	<u>5,831</u>	<u>396</u>	<u>369</u>	<u>1,815</u>	<u>112,071</u>
NET CHANGES IN FUND BALANCES	(684)	(17,831)	(271)	(189)	972	20,729
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>811</u>	<u>30,398</u>	<u>16</u>	<u>3</u>	<u>6</u>	<u>35</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 127</u>	<u>\$ 12,567</u>	<u>\$ (255)</u>	<u>\$ (186)</u>	<u>\$ 978</u>	<u>\$ 20,764</u>

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2007

	Cass County Teen Reach - DHHS Fund	Lice Busters Fund	Kindergarten Standards Fund	Feasibility Study	Total
REVENUES:					
Local sources	\$ -	\$ -	\$ 1,800	\$ -	\$ 12,800
State sources	-	-	-	7,000	384,074
Federal sources	-	-	-	-	144,534
Total revenues	<u>-</u>	<u>-</u>	<u>1,800</u>	<u>7,000</u>	<u>541,408</u>
EXPENDITURES:					
Current:					
Education:					
Salaries	-	434	-	-	197,742
Benefits	-	73	-	-	51,297
Purchased services	-	88	800	-	72,732
Supplies and materials	-	350	2,006	-	44,870
Capital outlay	-	-	-	-	11,086
Payments to other governments	-	-	-	-	110,656
Total expenditures	<u>-</u>	<u>945</u>	<u>2,806</u>	<u>-</u>	<u>488,383</u>
NET CHANGES IN FUND BALANCES	-	(945)	(1,006)	7,000	53,025
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>127</u>	<u>2,598</u>	<u>-</u>	<u>-</u>	<u>107,168</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 127</u>	<u>\$ 1,653</u>	<u>\$ (1,006)</u>	<u>\$ 7,000</u>	<u>\$ 160,193</u>

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2007**

	Truants Alternative/Optional Education Fund				Regional Safe Schools Fund				ROE/ISC Operations Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final			Original	Final			Original	Final		
REVENUES:												
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	120,696	120,696	122,226	1,530	105,833	105,833	108,979	3,146	68,981	68,981	68,981	-
Federal sources	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	120,696	120,696	122,226	1,530	105,833	105,833	108,979	3,146	68,981	68,981	68,981	-
EXPENDITURES:												
Current:												
Salaries	54,484	54,484	52,715	1,769	65,274	65,274	63,439	1,835	41,937	41,937	42,072	(135)
Benefits	17,317	17,317	17,058	259	19,560	19,560	18,805	755	14,913	14,913	14,943	(30)
Purchased services	24,069	24,069	23,868	201	11,999	11,999	8,821	3,178	1,045	1,045	1,186	(141)
Supplies and materials	24,826	24,826	24,655	171	9,000	9,000	9,275	(275)	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	11,086	11,086	11,086	-
Payments to other governments	-	-	-	-	-	-	2,291	(2,291)	-	-	-	-
Total expenditures	120,696	120,696	118,296	2,400	105,833	105,833	102,631	3,202	68,981	68,981	69,287	(306)
NET CHANGES IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>3,930</u>	<u>\$ 3,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>6,348</u>	<u>\$ 6,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(306)</u>	<u>\$ (306)</u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			<u>-</u>				<u>-</u>				<u>(123)</u>	
FUND BALANCE (DEFICIT), END OF YEAR			<u>\$ 3,930</u>				<u>\$ 6,348</u>				<u>\$ (429)</u>	

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2007

	Title V – Innovative Programs Fund				Title IV - Safe and Drug Free Schools - Formula Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final			Original	Final		
REVENUES:								
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-	-
Federal sources	125	125	125	-	180	180	180	-
Total revenues	125	125	125	-	180	180	180	-
EXPENDITURES:								
Current:								
Salaries	-	-	-	-	-	-	-	-
Benefits	-	-	-	-	-	-	-	-
Purchased services	-	-	396	(396)	180	180	369	(189)
Supplies and materials	125	125	-	125	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-	-	-
Total expenditures	125	125	396	(271)	180	180	369	(189)
NET CHANGES IN FUND BALANCES	\$ -	\$ -	(271)	\$ (271)	\$ -	\$ -	(189)	\$ (189)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			16				3	
FUND BALANCE (DEFICIT), END OF YEAR			<u>\$ (255)</u>				<u>\$ (186)</u>	

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2007

	Title II - Teacher Quality				Teen Reach DHHS Fund				Totals			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final			Original	Final			Original	Final		
REVENUES:												
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-	-	\$295,510	\$295,510	300,186	4,676
Federal sources	2,845	2,845	2,787	(58)	122,500	122,500	132,800	10,300	\$125,650	\$125,650	135,892	10,242
Total revenues	2,845	2,845	2,787	(58)	122,500	122,500	132,800	10,300	421,160	421,160	436,078	14,918
EXPENDITURES:												
Current:												
Salaries	-	-	-	-	90,292	90,292	1,201	89,091	251,987	251,987	159,427	92,560
Benefits	-	-	-	-	18,728	18,728	-	18,728	70,518	70,518	50,806	19,712
Purchased services	2,845	2,845	1,815	1,030	5,380	5,380	2,505	2,875	45,518	45,518	38,960	6,558
Supplies and materials	-	-	-	-	8,100	8,100	-	8,100	42,051	42,051	33,930	8,121
Capital outlay	-	-	-	-	-	-	-	-	11,086	11,086	11,086	-
Payments to other governments	-	-	-	-	-	-	108,365	(108,365)	-	-	110,656	(110,656)
Total expenditures	2,845	2,845	1,815	1,030	122,500	122,500	112,071	10,429	421,160	421,160	404,865	16,295
NET CHANGES IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	972	<u>\$ 972</u>	<u>\$ -</u>	<u>\$ -</u>	20,729	<u>\$ 20,729</u>	<u>\$ -</u>	<u>\$ -</u>	31,213	<u>\$ 31,213</u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			6				35				(63)	
FUND BALANCE (DEFICIT), END OF YEAR			<u>\$ 978</u>				<u>\$ 20,764</u>				<u>\$ 31,150</u>	

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF ACCOUNTS
ALTERNATIVE SCHOOLS FUND
Year Ended June 30, 2007**

	Undefinable Beardstown Operations Fund	Registration Fees Fund	Paid Lunches Fund	State Lunch Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash (overdraft) and cash equivalents	\$ (2)	\$ 5,618	\$ 6,897	\$ (242)
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Prepaid expenses	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ (2)</u></u>	<u><u>\$ 5,618</u></u>	<u><u>\$ 6,897</u></u>	<u><u>\$ (242)</u></u>
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Accounts payable	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE (DEFICIT)				
Fund balance (deficit), unreserved and undesignated	<u> (2)</u>	<u> 5,714</u>	<u> 6,898</u>	<u> (242)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u><u>\$ (2)</u></u>	<u><u>\$ 5,714</u></u>	<u><u>\$ 6,898</u></u>	<u><u>\$ (242)</u></u>

**SCHEDULE 8
(CONTINUED)**

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF ACCOUNTS
ALTERNATIVE SCHOOLS FUND
Year Ended June 30, 2007**

	National School Lunch Fund	School Breakfast Fund	State Aid Fund	Total
ASSETS				
Cash (overdraft) and cash equivalents	\$ 13,238	\$ 878	\$ 674,461	\$ 700,848
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Prepaid expenses	-	-	-	-
TOTAL ASSETS	\$ 13,238	\$ 878	\$ 674,461	\$ 700,848
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Accounts payable	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
FUND BALANCE (DEFICIT)				
Fund balance (deficit), unreserved and undesignated	13,239	878	688,324	714,809
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 13,239	\$ 878	\$ 688,324	\$ 714,809

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALTERNATIVE SCHOOLS FUND ACCOUNTS
Year Ended June 30, 2007**

	Undefinable Beardstown Operations Fund	Registration Fees Fund	Paid Lunches Fund	State Lunch Fund
REVENUES:				
Local sources	\$ -	\$ 1,425	\$ 2,295	\$ -
State Sources	-	-	-	702
Federal sources	-	-	-	-
Total revenues	<u>-</u>	<u>1,425</u>	<u>2,295</u>	<u>702</u>
EXPENDITURES:				
Current:				
Education:				
Salaries	-	-	-	-
Benefits	-	-	-	-
Purchased services	-	-	-	-
Supplies and materials	-	910	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>910</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>-</u>	<u>515</u>	<u>2,295</u>	<u>702</u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>(2)</u>	<u>5,199</u>	<u>4,603</u>	<u>(944)</u>
FUND BALANCE (DEFICIT), RESERVED, END OF YEAR	<u><u>\$ (2)</u></u>	<u><u>\$ 5,714</u></u>	<u><u>\$ 6,898</u></u>	<u><u>\$ (242)</u></u>

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALTERNATIVE SCHOOLS FUND ACCOUNTS
Year Ended June 30, 2007**

	National School Lunch Fund	School Breakfast Fund	State Aid Fund	Total
REVENUES:				
Local sources	\$ -	\$ -	\$ 23,316	\$ 27,036
State Sources	-	-	528,525	529,227
Federal sources	16,225	-	-	16,225
Total revenues	<u>16,225</u>	<u>-</u>	<u>551,841</u>	<u>572,488</u>
EXPENDITURES:				
Current:				
Education:				
Salaries	-	-	434,525	434,525
Benefits	-	-	77,298	77,298
Purchased services	13,447	-	30,636	44,083
Supplies and materials	-	-	10,728	11,638
Capital outlay	-	-	8,684	8,684
Total expenditures	<u>13,447</u>	<u>-</u>	<u>561,871</u>	<u>576,228</u>
NET CHANGES IN FUND BALANCES	<u>2,778</u>	<u>-</u>	<u>(10,030)</u>	<u>(3,740)</u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>10,461</u>	<u>878</u>	<u>698,354</u>	<u>718,549</u>
FUND BALANCE (DEFICIT), RESERVED, END OF YEAR	<u>\$ 13,239</u>	<u>\$ 878</u>	<u>\$ 688,324</u>	<u>\$ 714,809</u>

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2007**

	<u>Institute Fund</u>	<u>Bus Driver Fund</u>	<u>General Education Development Fund</u>	<u>Supervisory Fund</u>
ASSETS				
Cash (overdrafts) and cash equivalents	\$ 29,839	\$ 1,823	\$ (1,321)	\$ (1,165)
Due from other governments	-	-	-	-
TOTAL ASSETS	<u>\$ 29,839</u>	<u>\$ 1,823</u>	<u>\$ (1,321)</u>	<u>\$ (1,165)</u>
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Due to other governments	1,280	-	-	-
Accounts payable	-	-	(2)	-
Total liabilities	<u>1,280</u>	<u>-</u>	<u>(2)</u>	<u>-</u>
FUND BALANCES (DEFICIT)				
Unreserved	<u>28,559</u>	<u>1,823</u>	<u>(1,319)</u>	<u>(1,165)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 29,839</u>	<u>\$ 1,823</u>	<u>\$ (1,321)</u>	<u>\$ (1,165)</u>

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2007**

	Film Coop Fund	WCI Schoolmasters Association Fund	Identix Fingerprinting Fund	Project Inquire Fund
ASSETS				
Cash (overdrafts) and cash equivalents	\$ 2,175	\$ 107	\$ (788)	\$ 2,488
Due from other governments	-	-	-	-
TOTAL ASSETS	\$ 2,175	\$ 107	\$ (788)	\$ 2,488
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Due to other governments	-	-	-	-
Accounts payable	-	-	-	-
Total liabilities	-	-	-	-
FUND BALANCES (DEFICIT)				
Unreserved	2,175	107	(788)	2,488
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 2,175	\$ 107	\$ (788)	\$ 2,488

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2007**

	<u>Job Bank Fund</u>	<u>ROE Program Support Fund</u>	<u>Workshop Fund</u>	<u>Total</u>
ASSETS				
Cash (overdrafts) and cash equivalents	\$ 679	\$ 2,609	\$ 5,188	\$ 41,634
Due from other governments	-	-	-	-
TOTAL ASSETS	<u>\$ 679</u>	<u>\$ 2,609</u>	<u>\$ 5,188</u>	<u>\$ 41,634</u>
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Due to other governments	-	-	-	1,280
Accounts payable	-	-	-	(2)
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,278</u>
FUND BALANCES (DEFICIT)				
Unreserved	<u>680</u>	<u>2,608</u>	<u>1,889</u>	<u>37,057</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 680</u>	<u>\$ 2,608</u>	<u>\$ 1,889</u>	<u>\$ 38,335</u>

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2007

SCHEDULE 11

	Institute Fund	Bus Driver Fund	General Education Development Fund	Supervisory Fund
REVENUES:				
Local sources	\$ 10,376	\$ 1,275	\$ 7,315	\$ 3
State sources	-	600	-	4,000
Total revenues	10,376	1,875	7,315	4,003
EXPENDITURES:				
Current:				
Education:				
Salaries	-	-	2,765	-
Benefits	-	-	210	-
Purchased services	11,080	1,400	4,991	4,218
Supplies and materials	7,184	-	2,134	-
Capital outlay	-	-	-	-
Payments to other governments	-	-	-	-
Total expenditures	18,264	1,400	10,100	4,218
NET CHANGES IN FUND BALANCES	(7,888)	475	(2,785)	(215)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	36,447	1,348	1,466	(950)
FUND BALANCE (DEFICIT), END OF YEAR	\$ 28,559	\$ 1,823	\$ (1,319)	\$ (1,165)

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2007

SCHEDULE 11
(CONTINUED)

	Film Coop Fund	WCI Schoolmasters Association Fund	Identix Fingerprinting Fund	Project Inquire Fund
REVENUES:				
Local sources	\$ 14,507	\$ 1	\$ 4,790	\$ -
State sources	-	-	-	-
Total revenues	14,507	1	4,790	-
EXPENDITURES:				
Current:				
Education:				
Salaries	-	-	-	-
Benefits	-	-	-	-
Purchased services	1,585	-	5,257	-
Supplies and materials	12,108	-	-	-
Capital outlay	-	-	-	-
Payments to other governments	-	-	-	-
Total expenditures	13,693	-	5,257	-
NET CHANGES IN FUND BALANCES	814	1	(467)	-
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	1,361	106	(321)	2,488
FUND BALANCE (DEFICIT), END OF YEAR	\$ 2,175	\$ 107	\$ (788)	\$ 2,488

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2007

SCHEDULE 11
(CONTINUED)

	Job Bank Fund	ROE Program Support Fund	Workshop Fund	Total
REVENUES:				
Local sources	\$ 1,352	\$ 500	\$ 3,353	\$ 43,472
State sources	-	-	-	4,600
Total revenues	1,352	500	3,353	48,072
EXPENDITURES:				
Current:				
Education:				
Salaries	-	-	-	2,765
Benefits	-	-	-	210
Purchased services	1,350	-	2,531	32,412
Supplies and materials	-	779	3,687	25,892
Capital outlay	-	691	-	691
Payments to other governments	-	-	-	-
Total expenditures	1,350	1,470	6,218	61,970
NET CHANGES IN FUND BALANCES	2	(970)	(2,865)	(13,898)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	678	3,578	4,754	50,955
FUND BALANCE (DEFICIT), END OF YEAR	\$ 680	\$ 2,608	\$ 1,889	\$ 37,057