AGENDA

1. Roll Call

2. Board Member Participation by Other Means

3. Public Participation

4. Discussion Items
   *a. Discussion of Livingston Financial Oversight Panel (Deb Vespa) (Plenary pp. 197-203)
   b. Update on Districts in Financial Distress (Deb Vespa) (pp. 2-9)
   c. Quarterly Update on Resolution of Audit Findings (Lisa LaBonte) (pp. 10-15)
   d. FY 08 Budget Update (Linda Mitchell & Ronny Wickenhauser) (p. 16)

5. Decision Items
   a. Minutes of the January Finance and Audit Committee Meeting (to be sent under separate cover)

6. Committee Agenda Planning/Additional Items

7. Adjourn

NOTE: At the conclusion of any discussion item in which the committee is ready to make a decision, a discussion item may be immediately moved for a decision.

* Items listed with an asterisk (*) will be discussed in committee and Board action may be taken in the plenary session.
TO: Illinois State Board of Education
FROM: Christopher A. Koch, Ed.D., State Superintendent of Education (Interim)  
Linda Riley-Mitchell, CFO

Agenda Topic: Update of Districts in Financial Distress  
Divernon Community Unit School District 13  
Harrisburg Community Unit School District 3  
Winthrop Harbor School District 1

Materials: FACTS Reports for each school district

Staff Contact(s): Debby Vespa

Purpose of Agenda Item
Update Finance and Audit Committee with regard to the financial status of the three certified school districts.

Relationship to/Implications for the State Board’s Strategic Plan
The agenda topic is linked to Goal 3 Expanding Data-Informed School Management & Support Practices of the Strategic Plan, assisting and providing services to school districts in financial distress.

Expected Outcome(s) of Agenda Item
This is an update only for the committee. There are no expected outcomes.

Background Information

Divernon Community Unit School District was certified in Financial Distress at the October 2005 State Board meeting. Since the last update to the Finance and Audit Committee, Divernon Board did make a resolution to dissolve the district under Section 7-2a(b) of the School Code. They have held the public hearing and the Regional Superintendent has made the final decision that, with the exception of one family, the district will be dissolved into the Auburn School District. The effective date will be July 2007. In reviewing the district’s financial status, it appears that their financial condition at the end of the fiscal year may improve better than projected in their approved plan by approximately $100,000.

Harrisburg Community Unit School District was also certified in Financial Distress at the October 2005 State Board meeting. Since the last update, they attempted to pass Working Cash Fund Bond for $1 million and were petitioned. The district is considering a referendum question on the April ballot asking the community to approve a $1 million bond issuance to restructure their debt. The Board realizes that they will need to make an approximate $400,000 reduction in their expenditures for next fiscal year. State Board staff continues to monitor the financial condition of the school district.
Winthrop Harbor School District was certified in Financial Distress at the April 2006 State Board meeting. Since the last update, Winthrop Harbor passed their tax referendum questions. They are anticipating their first installment of taxes should increase by approximately $300,000 and the district should realize this increase before the end of this fiscal year 2007. The FACTS Report does not reflect this anticipated increase as the district has not yet amended their budget. After the first collection of taxes is received and the increase is realized, the budget will be amended.

**Analysis and Implications for Policy, Budget, Legislative Action and Communications**
This agenda item is informational only.

**Pros and Cons of Various Actions**
None at this time.

**Superintendent's Recommendation**
No recommendations

**Next Steps**
ISBE staff will continue to work with the districts and review their FY 2007 budgets and financial projections.
### DIVERNON CUSD # 13

**Superintendent:** Dr. Kenneth Hendriksen  
**Number of Students:** 284  
**Number of Teachers:** 22  
**County:** Sangamon  
**Average Teacher Salary:** $36,504 (State $55,558)  
**Average Administrator Salary:** $70,089 (State $97,051)  
**Low Income Rate:** 17.6% (State 40.0%)  
**School Type:** Unit District  
**Tax Cap School District:** No

### Overall Performance - All State Tests:
- **2003 - 2004:** 69.4% (State 62.5%)  
- **2004 - 2005:** 73.9% (State 65.2%)  
- **Ave. Class Size**  
  - Kindergarten: 15.0 (State 20.9)  
  - First: 24.0 (State 21.5)  
  - Third: 19.0 (State 22.3)  
  - Sixth: 16.0 (State 23.4)  
  - Eighth: 18.0 (State 22.9)  
- **Low Income Rate:** 17.6% (State 40.0%)  
- **# of Schools in Improvement Status:**  
  - First: 24.0 (State 21.5)  
  - Third: 19.0 (State 22.3)  
  - Sixth: 16.0 (State 23.4)  
  - Eighth: 18.0 (State 22.9)

### Revenue Sources
- **Local:** 15.0% (State 62.0%)  
- **State:** 60.0% (State 30.0%)  
- **Federal:** 25.0% (State 8.0%)  

### Summary of Operating Funds

#### FY 2002 - FY 2007

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<thead>
<tr>
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<tbody>
<tr>
<td>Beginning Fund Balance</td>
<td>(78,922)</td>
<td>20,025</td>
<td>(155,785)</td>
<td>(304,037)</td>
<td>(561,681)</td>
<td>(94,338)</td>
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<td>Revenues</td>
<td>1,966,573</td>
<td>1,733,056</td>
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<td>1,966,768</td>
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<td>Expenditures</td>
<td>(1,867,626)</td>
<td>(1,908,866)</td>
<td>(1,971,083)</td>
<td>(2,187,199)</td>
<td>(2,254,325)</td>
<td>(2,207,829)</td>
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<td>Results of Operation</td>
<td>98,947</td>
<td>(175,810)</td>
<td>(148,252)</td>
<td>(257,644)</td>
<td>(287,557)</td>
<td>(164,669)</td>
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<td>Other Sources/Uses</td>
<td>754,900</td>
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<td>20,025</td>
<td>(155,785)</td>
<td>(304,037)</td>
<td>(561,681)</td>
<td>(94,338)</td>
<td>(259,007)</td>
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#### Tax Year

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<th>2000</th>
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<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
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<tbody>
<tr>
<td>EAV</td>
<td>$21,864,434</td>
<td>$22,568,144</td>
<td>$21,840,075</td>
<td>$21,973,556</td>
<td>$20,745,523</td>
<td>$21,057,775</td>
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#### School Year

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</thead>
<tbody>
<tr>
<td>Enrollment</td>
<td>320</td>
<td>306</td>
<td>294</td>
<td>296</td>
<td>286</td>
<td>284</td>
<td>265</td>
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#### Outstanding Debt

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<tr>
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</thead>
<tbody>
<tr>
<td>Short-Term Debt</td>
<td>280,000</td>
<td>275,000</td>
<td>499,150</td>
<td>600,000</td>
<td>840,000</td>
<td>630,000</td>
<td>232,000</td>
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<tr>
<td>Long-Term Debt</td>
<td>1,130,000</td>
<td>1,345,000</td>
<td>1,305,000</td>
<td>1,260,000</td>
<td>1,215,000</td>
<td>1,920,000</td>
<td>2,245,000</td>
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</tbody>
</table>

#### Profile Score
- **2.10**
- **2.90**
- **1.65**
- **2.00**
- **1.65**
- **1.55**
- **2.35**

#### Profile Designation
- Watch
- Early Warning
- Watch
- Watch
- Watch
- Watch
- Watch
Summary:

DIVERNON CUSD # 13

The district is currently going through the dissolution process, and all plans are that Divernon CUSD # 13 will not be a school district next year. The district plans to be annexed by Auburn school district to start the 2008 school year. Dr. Kenneth Hendriksen is serving as the interim superintendent this year and guiding the district through this process. So far, everything seems to be moving along right on schedule.

Debt and Liabilities:

The district paid off all outstanding warrants of $630,000 from fiscal year 2006 in December. In January, the district issued $232,000 in new warrants to get through this school year. According to the most recent cash flow projection (January), it appears that the district should be able to get through the rest of the year without having to borrow any additional funds. In fact, they barring any unforeseen circumstances, they may be able to payback the $232,000 in June.

The district also issued another $325,000 in funding bonds, as approved in their plan, to cover the cost of their special education expenditures.

Financial Risk:

Right now it appears that the district will make it to the end of the year with money still in the bank. The district is actually doing better than what was approved in their plan for fiscal year 2007. However, they are still running a projected deficit of about $165,000.

Additional Revenues:

At this time, no additional revenues are anticipated.
Superintendent: Mr. Dennis Smith  
Number of Students: 2,143  
School Type: Unit District  
Number of Teachers: 125  
County: Saline  
Average Teacher Salary: $54,560 (State $55,558)  
Tax Cap School District: No  
Average Administrator Salary: $78,094 (State $97,051)  
Low Income Rate: 44.9% (State 40.0%)  
Average Teacher Salary: $54,560 (State $55,558)  
Average Administrator Salary: $78,094 (State $97,051)  
Low Income Rate: 44.9% (State 40.0%)  

OVERALL PERFORMANCE - ALL STATE TESTS:  
2003 - 2004: 69.4% (State 62.5%)  
2004 - 2005: 71.8% (State 65.2%)  
# of Schools in Improvement Status: 1  
Kindergarten: 23.6% (State 20.9)  
First: 20.8% (State 21.5)  
Third: 22.4% (State 22.3)  
Sixth: 21.6% (State 23.4)  
Eighth: 21.6% (State 22.9)  
High School: 19.3% (State 19.7)  

REVENUE SOURCES:  
Local: 62.0% (State 62.0%)  
State: 30.0% (State 30.0%)  
Federal: 8.0% (State 8.0%)  

2005 TAX RATES:  
Education Fund: $2,000  
Operation & Maint. Fund: $0.500  
Transportation Fund: $0.200  
Working Cash Fund: $0.050  

SUMMARY OF OPERATING FUNDS  
<table>
<thead>
<tr>
<th>Fund Balances</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007 Budget</th>
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<tbody>
<tr>
<td>Beginning Fund Balance</td>
<td>749,142</td>
<td>601,208</td>
<td>295,938</td>
<td>(761,674)</td>
<td>(456,702)</td>
<td>(952,076)</td>
<td>(1,550,420)</td>
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<tr>
<td>Revenues</td>
<td>13,332,533</td>
<td>13,449,689</td>
<td>13,116,950</td>
<td>14,667,037</td>
<td>14,903,055</td>
<td>15,162,174</td>
<td>15,239,878</td>
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<tr>
<td>Expenditures</td>
<td>(13,305,372)</td>
<td>(13,654,121)</td>
<td>(14,072,840)</td>
<td>(14,328,301)</td>
<td>(15,452,602)</td>
<td>(15,877,070)</td>
<td>(15,079,963)</td>
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<tr>
<td>Results of Operation</td>
<td>(172,839)</td>
<td>(204,432)</td>
<td>(955,890)</td>
<td>338,736</td>
<td>(549,547)</td>
<td>(714,896)</td>
<td>159,915</td>
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<td>Other Sources/Uses</td>
<td>24,905</td>
<td>(100,838)</td>
<td>(101,722)</td>
<td>(33,764)</td>
<td>54,173</td>
<td>116,552</td>
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<tr>
<td>Fund Balances</td>
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<td>(761,674)</td>
<td>(456,702)</td>
<td>(952,076)</td>
<td>(1,550,420)</td>
<td>(1,390,505)</td>
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<table>
<thead>
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<th>Tax Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
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<tr>
<td>EAV</td>
<td>$74,909,611</td>
<td>$77,866,117</td>
<td>$82,892,549</td>
<td>$85,784,790</td>
<td>$82,102,866</td>
<td>$82,641,571</td>
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<tr>
<td>Enrollment</td>
<td>2,277</td>
<td>2,211</td>
<td>2,188</td>
<td>2,226</td>
<td>2,170</td>
<td>2,143</td>
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<tbody>
<tr>
<td>Short-Term Debt</td>
<td>0</td>
<td>0</td>
<td>900,000</td>
<td>1,600,000</td>
<td>2,100,000</td>
<td>1,895,000</td>
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<tr>
<td>Long-Term Debt</td>
<td>3,978,856</td>
<td>5,483,787</td>
<td>5,049,120</td>
<td>4,653,499</td>
<td>4,289,159</td>
<td>6,192,844</td>
</tr>
</tbody>
</table>

Note: L-T Debt increased due to H/L/S Bonds issued.

|シャートテームデブ | 0 | 0 | 900,000 | 1,600,000 | 2,100,000 | 1,895,000 |
|ラングトームデブ | 3,978,856 | 5,483,787 | 5,049,120 | 4,653,499 | 4,289,159 | 6,192,844 |

| Profile Score | 2.55 | 2.45 | 2.10 | 2.25 | 1.90 | 1.80 |

Profile Designation: Watch, Watch, Watch, Watch, Watch, Watch
(All years were calculated using the same method used for FY 2005)
Summary:

This report includes the district’s audited FY2006 figures. Harrisburg School District is comprised of two elementary schools, one middle school, and one high school and was certified in financial difficulty in October 2005. Mr. Dennis Smith is the new superintendent this year at Harrisburg replacing Mr. Ed Bradley.

Debt and Liabilities:

As of June 30, 2006, the District had Tax Anticipation Warrant’s outstanding of approximately $1.9 million. The $1.9 million includes second year Tax Anticipation Warrants in the amount of $500,000. As of June 30, 2006, the District had approximately 46% Long-Term Debt remaining (H/L/S Bonds and Re-Funding Bonds were issued) The district first approved the FY2007 Budget in March of 2006. On October 30, 2006, the district approved an amended FY 2007 Budget and revised their financial plan. The district will continue to rely on Tax Anticipation Warrants to meet ongoing expenses. It is anticipated that each year the amount of TAWs will slowly decrease as the district anticipates the expenditures will be less than revenue received.

Financial Risk:

Recently, the District tried to issue Working Cash Fund Bonds in the amount of $1.0 million and they were petitioned. The bonds were to be used for debt reduction and not to meet ongoing expenses. The district is considering placing a referendum on the April 17 ballot asking for the bond issue. Again, if the referendum prevails the bond proceeds would be used for debt reduction only. The district is also considering making cuts for the 2007-08 fiscal year in excess of $400,000. The district is fully aware that personnel reductions must be made in time to comply with reduction in force notification laws. By making the proposed cuts the projected 2008 operating surplus of $138,000 should increase substantially. Without the issuance of debt, operating surpluses are the only way the district can reduce the reliance on short term debt to meet ongoing expenses. The district’s approved Three Year Financial Plan indicates that at the end of 2008 the fund balance for the operating funds will still be in the red by $1.37 Million.

Currently, there are no indications that the district will not meet the results reflected on the 2007 budget. Based on a comparison of budget to actual as of January 30, 2007 the district appears to be on track with the budgeted amounts for revenue and expenditures. The Education Fund had received 63% of budgeted revenue and expended 60% of budgeted expenditures. The Operations and Maintenance Fund was at 46% revenues received and 48% expenditures expended. The Transportation fund was at 68% revenues and 58% expenditures.

Additional Revenues:

Depending on the timing of General State Aid, Special Ed Personnel, Special Ed Extraordinary, and Transportation payments the district may realize approximately $400,000 more revenue than budgeted. The result will be an even greater operating surplus than budgeted for FY2007.
Winthrop Harbor School District # 1

Superintendent:  Dr. James Tenbusch  Number of Students:  824
School Type:  Elementary District  Number of Teachers:  46
County:  Lake  Average Teacher Salary:  $49,409  (State $55,580)
Tax Cap School District:  Yes  Average Administrator Salary:  $90,087  (State $97,051)
Low Income Rate:  14.9%  (State 40.0%)

Overall Performance - All State Tests:

<table>
<thead>
<tr>
<th>Year</th>
<th>Overall Performance</th>
<th>Ave. Class Size</th>
<th># of Schools in Improvement Status</th>
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</thead>
<tbody>
<tr>
<td>2003-2004</td>
<td>81.0% (State 62.5%)</td>
<td>28 (State 20.9)</td>
<td>0</td>
</tr>
<tr>
<td>2004-2005</td>
<td>80.4% (State 65.2%)</td>
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<td>0</td>
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Revenue Sources

<table>
<thead>
<tr>
<th>Source</th>
<th>Local 61.7% (State 62.0%)</th>
<th>State 35.8% (State 30.0%)</th>
<th>Federal 2.5% (State 8.0%)</th>
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</thead>
<tbody>
<tr>
<td>High School</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Kindergarten</td>
<td>28 (State 20.9)</td>
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<td></td>
</tr>
<tr>
<td>First</td>
<td>21.3 (State 21.5)</td>
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<td>Third</td>
<td>22.8 (State 22.3)</td>
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<tr>
<td>Sixth</td>
<td>21.3 (State 23.4)</td>
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<tr>
<td>Eighth</td>
<td>23.3 (State 22.9)</td>
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2004 Tax Rate

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<tr>
<th>Fund</th>
<th>Extended Rate</th>
<th>Maximum Available Rate</th>
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<tbody>
<tr>
<td>Education Fund</td>
<td>$1.736</td>
<td>$2.170</td>
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<tr>
<td>Operation &amp; Maint. Fund</td>
<td>$0.221</td>
<td>$0.250</td>
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<tr>
<td>Transportation Fund</td>
<td>$0.110</td>
<td>$0.200</td>
</tr>
<tr>
<td>Working Cash Fund</td>
<td>$0.000</td>
<td>$0.050</td>
</tr>
</tbody>
</table>

2004 OEPP: $6,533 (State $8,786)

SUMMARY OF OPERATING FUNDS

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<tr>
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</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>525,941</td>
<td>414,186</td>
<td>597,725</td>
<td>14,408</td>
<td>(4,200)</td>
<td>(65,904) (41,631)</td>
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<td>Expenditures</td>
<td>4,885,797</td>
<td>4,824,255</td>
<td>4,616,002</td>
<td>5,225,601</td>
<td>5,062,567</td>
<td>5,138,158 5,182,091</td>
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<td>Results of Operation</td>
<td>(398,738)</td>
<td>(77,105)</td>
<td>(520,681)</td>
<td>37,852</td>
<td>(63,718)</td>
<td>18,953 (90,330)</td>
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<td>Other Sources/Uses</td>
<td>286,983</td>
<td>260,644</td>
<td>62,636</td>
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<tr>
<td>Fund Balances</td>
<td>414,186</td>
<td>597,725</td>
<td>14,408</td>
<td>(4,200)</td>
<td>(65,904)</td>
<td>(41,631) (131,961)</td>
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Enrollment: 857 852 800 814 824

Outstanding Debt

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Short-Term Debt</td>
<td>0</td>
<td>950,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
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<tr>
<td>Long-Term Debt</td>
<td>6,395,325</td>
<td>6,065,474</td>
<td>6,195,035</td>
<td>6,045,912</td>
<td>5,593,388</td>
<td>5,508,384</td>
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<td>Short-Term Debt Limit</td>
<td>1,931,882</td>
<td>1,988,000</td>
<td>2,056,330</td>
<td>2,134,364</td>
<td>2,232,172</td>
<td>2,366,647</td>
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<td>Long-Term Debt Limit</td>
<td>7,144,570</td>
<td>7,495,331</td>
<td>8,079,654</td>
<td>8,435,253</td>
<td>8,766,325</td>
<td>9,581,847</td>
</tr>
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Profile Score: 2.45 2.80 2.00 2.80 2.10 2.55
Profile Designation: Watch Early Warning Watch Early Warning Watch Watch

(All years were calculated using the same method used for FY 2004)
**Winthrop Harbor School District # 1**

Winthrop Harbor is an elementary district of approximately 825 students in Lake County. It has been experiencing deficits for most years going back through FY 2000. Negative fund balances were present at the end of FY 04 and FY 05 which made the district subject to possible certification as being in financial difficulty. On April 20, 2006 the Illinois State Board of Education did certify Winthrop Harbor School to be in financial difficulty. The FY 06 Annual Financial Report reflects a small surplus but continued negative fund balance. The FY 07 budget shows a deficit in the operating funds of $90,330. The district passed a referendum November 7, 2006 to increase the Educational Fund levy 45 cents. The budget was filed before the election and does not reflect the increase in local property taxes.

**Debt and Liabilities:**
Tax anticipation warrants have been needed for the past four years in the amounts of $950,000 in FY 03 and $1,000,000 in FY 04, FY 05 and FY 06. Tax anticipation warrants of $950,000 were again needed in FY 07. This is a little less than half of the short-term borrowing capacity and should be considered substantial. Due to tax caps and the district’s debt service extension base the district cannot have any additional long-term debt levies for the next 15 years. One of the questions on the October 2005 referendum was to increase the debt service extension base from $28,200 per year to $500,000 but that referendum failed.

**Financial Risk:**
The district has been having great difficulty balancing its budget. Additional long-term debt is not a possibility based on the current outstanding long-term debt and the district’s debt service extension base resulting from tax caps. The district is already using a fairly large amount of short-term borrowing. The successful referendum in November 2006 should result in the FY 07 budget having a surplus and allow the district to add back a limited amount of additions to their academic programs. A plan is in place to allow the surpluses to put the district in a position to lower the need for tax anticipation warrants. After seven years this plan will eliminate the necessity of any tax anticipation warrants.

**Additional Revenues/Expenditure Reductions:**
The district has already instituted cost reduction measures for the past three years. Janitorial and food services have been outsourced, 70% cuts were made in supplies, equipment, textbooks and capital outlay, the business manager and accounts payable/purchasing manger positions were eliminated, three teaching and four teacher aide positions were eliminated and extracurricular programs are being paid by booster organizations. The district has reached a tentative agreement with the employee union to freeze salaries for FY 07 at the FY 06 level. The district had essentially exhausted the means to reduce expenditures and keep adequate educational programs. The successful referendum of a 45 cent increase in the Educational Fund will generate approximately $625,000 per year. Since the district gets about 50% of its local property taxes by June 30th FY 07 should see an increase of about $312,000. The district plans to hire back three teaching positions - a PE teacher, a band instructor and a music teacher. A reading specialist may also be added. There is also a need to upgrade technology hardware.

The additional revenue should be sufficient to allow these budget additions and still allow the district to easily reflect surpluses in future budgets.
TO: Finance and Audit Committee

FROM: Christopher A. Koch, Ed.D., State Superintendent of Education (Interim)
Lisa LaBonte, Chief Internal Auditor

Agenda Topic: Discussion Item: Status of FY 05 A-133 Statewide Single Audit and
Financial and Compliance Audit Findings

Materials: FY 05 Audit Findings Status Document
Staff Contact: Lisa LaBonte, Chief Internal Auditor

Purpose of Agenda Items
The purpose of this agenda item is to update the Board on the current status of corrective action
plans presented by the Agency in response to the findings reported in the FY05 A-133
Statewide Single Audit and the FY 05 Financial and Compliance Audit.

Expected Outcome(s) of Agenda Items
The Board will be informed of the Agency’s progress in implementing corrective action plans to
resolve the findings reported in the FY05 A-133 Statewide Single Audit and the FY 05 Financial
and Compliance Audit.

Background Information
The Auditor General conducts two annual audits of the Agency: 1) Financial and Compliance
Audit of the Agency as required by statute and 2) A-133 Statewide Single Audit as required
under the Federal Single Audit Act. The FY 05 Financial and Compliance Audit report was
presented to and accepted by the Board in April 2006 and the FY 05 A-133 Statewide Single
Audit was presented to and accepted by the Board in October 2006. There were three findings
reported in the Financial and Compliance Audit and 10 findings reported in the A-133 Single
Audit.

Analysis and Policy Implications
The FY05 Audit Findings Status document provides for each finding the status of status of
implementation of corrective actions. Many of the corrective action plans have been
implemented. This will result in these findings not being repeated in FY 06 audit reports.

The Legislative Audit Commission accepted the Agency’s 2005 Financial Audit and Compliance
Examination on their consent calendar in December 2006. The Agency was not required to
attend a hearing on this audit report.

The Agency is working with the auditors to finalize the FY 06 Financial and Compliance audit
report within the next few weeks. The finalized version of the report will be presented to the
Board when available.

Superintendent's Recommendation
For discussion purposes only.
FY 05 Financial and Compliance Audit (FC) – Status of Corrective Actions

FC 05-01  Lack of Controls over the General Education Development (GED) Program

Status: Implemented

The GED Program was transferred to the Illinois Community College Board in July 2005.

FC 05-02  Noncompliance with Mandated Duties

- Fiscal Note Act (25 ILCS 50/2)
  Status: Implemented
  Fiscal Notes are submitted within the time limit.

- ROE Superintendent Certification (105 ILCS 5/3-15.10)
  Status: Implemented
  Regional Superintendents certify they are not employing a relative as assistant regional superintendent.

- Drug Related Incidents Reporting (105 ILCS 5/10-27.1B)
  Status: Implemented
  Drug related incidents in schools are reported on the Agency's website.

- Social/Emotional Development Standards (405 ILCS 49/5(b) - 49/15(a))
  Status: Implemented
  One-time statutory requirement - further action not required.

- Untimely Certificate of Approval Fire Safety Funds (105 ILCS 5/17-2.11)
  Status: Accepted, ongoing process.
  Unit is working to ensure timely review and approval.

- Attacks on School Personnel Reporting (105 ILCS 5/10-21.7)
  Status: Implemented
  Attacks on school personnel are reported on the Agency's website.
Noncompliance with Mandated Duties – Continued

- **Bilingual Advisory Council Appointments** (105 ILCS 5/14C-13)
  
  Status: Implemented

  Appointments/reappointments to the Bilingual Advisory Council are documented.

- **Charter School Proposals** (105 ILCS 5/27A-8(f))
  
  Status: Accepted, ongoing process.

  Unit is working to ensure timely review and approval.

- **Safety Survey Reports and Amendments** (105 ILCS 5/2-3.12)
  
  Status: Accepted, ongoing process.

  Unit is working to ensure timely review and approval.

- **Governor's Recognition Program** (105 ILCS 5/2-3.92)
  
  Status: Accepted.

  Considering for repeal.

- **Committee of Cooperative Services** (105 ILCS 5/13B-35.10 - 5/13B-35.20)
  
  Status: Accepted.

  Considering for repeal.

- **Model Curriculum** (105 ILCS 5/27-23.2)
  
  Status: Accepted.

  Considering for repeal.

- **Computer Literacy Grants** (105 ILCS 5/2-3.43)
  
  Status: Accepted.

  Funds not available.

- **Failure to Consider Mandates when Establishing Budget**
  
  Status: Not Accepted.

  No Change.

Follow-up to Financial and Management Audit of Teachers Academy for Mathematics and Sciences (TAMS)

Status: Implemented.

TAMS did not receive funding in FY 2006
SA 05-05  **Inadequate Process for Accurate and Timely Financial Reporting**

**Status:** Accepted, ongoing process.

Efforts continue to ensure the timeliness and accuracy of financial reporting.

SA 05-60  **Failure to Maintain Adequate Documentation of the Eligibility Determinations for Subrecipients**

**Status:** Implemented.

Adequate documentation of eligibility is maintained for the Reading First subrecipients.

SA 05-61  **Inadequate Process for Monitoring Interagency Program Expenditures**

**Status:** Implemented.

ISBE conducted a review of the Illinois Community College Board’s (ICCB) procedures and monitoring of subrecipients for Vocational Education Grants in June 2006. ISBE is planning another monitoring review of ICCB before the end of FY 2007.

SA 05-62  **Inadequate On-Site Monitoring of Subrecipients**

**Status:** Partially Accepted/ Partially Implemented.

The risk assessment process and procedures used in determining the annual monitoring plan in conjunction with the cyclical/risk-based approach is documented. ISBE does not agree with the auditors that our selection approach “inappropriately combines elements of both cyclical and risk-based approaches.”

Note: The US Department of Education (USDE), Office of Elementary and Secondary Education did not sustain this finding for their grant program, in a letter dated 9/1/ 2006. The USDE, Office of Vocational and Adult Education (OVAE) did not sustain this finding as reported in FY 2004 (04-47) for their grant program, in a letter dated 4/17/2006.

In not sustaining this finding, the USDE noted that the Federal requirements for programmatic monitoring of subrecipients do not mandate the manner of monitoring or the approach to selection of subrecipients for on-site monitoring and that requirements do not prohibit a selection method that combines cyclical and risk-based approaches.
**SA 05-63 Failure to Obtain Suspension and Debarment Certifications for Subrecipients**

Status: Implemented.

The receipt of an appropriately signed subrecipient Debarment and Suspension form is verified by support and professional staff prior to the subrecipient’s budget approval.

**SA 05-64 Failure to Monitor Subrecipient Earmarking Requirements**

Status: Implemented.

Computer system controls are in place to ensure all schools and districts in improvement status set aside 10% for professional development activities.

**SA 05-65 Inadequate Documentation from Subrecipients for Carryover of Funds**

Status: Implemented.

Subrecipients are required to submit sufficient documentation to support waiver requests. The standard waiver form was revised to include adequate information to evaluate that a waiver request is reasonable and necessary.

**SA 05-66 Failure to Maintain Adequate Documentation for Awards to Subrecipients**

Status: Implemented.

The misplaced application referred to in this finding was located and properly filed. A logging system has been implemented to ensure that documents are filed appropriately.

**SA 05-67 Undocumented Review of Accountability Report**

Status: Implemented.

The review of all information included in the Accountability report is documented.

**SA 05-68 Untimely Review of OMB Circular A-133 Audit Reports**

Status: Accepted, ongoing process.

The procedures for performing desk reviews of A-133 Audit Reports have been reviewed and revised to help ensure that desk reviews are performed within the time frame established by the auditors.
Illinois State Board of Education
FY 05 Audit Findings Status
Presented to the Finance and Audit Committee
February 22, 2007

Status Key:

**Implemented:** The Agency agrees with the finding and has put into place processes and procedures that address the issues noted in the finding.

**Accepted, ongoing:** The Agency agrees with the finding and is working to improve operations to ensure the issues noted in the finding are addressed.

**Partially Accepted:** The Agency agrees with a portion of the finding and has worked to address those issues. There is also a portion of the finding that the Agency is in disagreement with the auditor’s opinion.

**Not Accepted:** The Agency does not agree with the issues noted in the finding.
TO: Finance and Audit Committee

FROM: Christopher A. Koch, Ed.D., State Superintendent of Education (Interim)
       Linda Riley Mitchell, Chief Fiscal Officer

Agenda Topic: FY08 Budget Update

Materials: Budget Book (available at www.isbe.net)

Staff Contact(s): Ronny Wickenhauser, Division Administrator, Budget and Financial Management

Purpose of Agenda Item
To provide an update to the Finance and Audit Committee on the fiscal year 2008 budget.

Relationship to/Implications for the State Board’s Strategic Plan
The fiscal year 2008 budget directly supports all the goals in the Board’s Strategic Plan.

Expected Outcome(s) of Agenda Item
This item is for informational purposes only.

Background Information
The State Board of Education voted on a fiscal year 2008 budget recommendation at its January meeting. Since that time, staff has published the recommended budget online, has printed and distributed copies of the agency budget book, and has drafted an appropriation bill for introduction in the General Assembly. Additionally, the Superintendent and staff have testified before the House Elementary and Secondary Education Appropriation Committee.

Staff have also been working with the Governor’s Office of Management and Budget on the Governor’s proposed fiscal year 2008 budget. The Governor will deliver his budget address on March 7.

Analysis and Implications for Policy, Budget, Legislative Action and Communications
This item is for informational purposes only.

Pros and Cons of Various Actions
This item is for informational purposes only.

Superintendent’s Recommendation
This item is for informational purposes only.

Next Steps
Staff will continue to update the committee and other members of the Board on the status of the fiscal year 2008 budget.