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CERTIFIED PUBLIC ACCOUNTANTS AND

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STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AUDIT AND
COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2005

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AUDIT AND
COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2005

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STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

AGENCY OFFICIALS

Members of the Illinois State Board of Education at June 30, 2005:

Jesse H. Ruiz, Chairperson
Christopher J. Ward, Vice-Chairperson
Dr. Vinni M. Hall, Secretary
Joyce Karon
Dean Clark

Brenda J. Holmes
Dr. Andrea S. Brown
Edward J. Geppert
Dr. David Fields

State Superintendent of Education

Dr. Randy J. Dunn

Cabinet Members at June 30, 2005:

Assistant Superintendent of Operation

Mark Kolaz (September 20, 2004 to Present)

General Counsel/Legal

Jonathan Furr (September 20, 2004 to Present)

Directors:

Special Education Services
Operations
Teaching and Learning Services
For All Children
Financial, Administrative and Shared Services

Christopher Koch
Mark Kolaz

Ginger Reynolds
Linda Riley Mitchell

Agency offices are located at:

Alzina Building
100 North First Street
Springfield, IL 62777-0001

James R. Thompson Center
100 West Randolph Street
Suite 14-300
Chicago, IL 60601-3268



Illinois State Board of Education

100 North First Street • Springfield, Illinois 62777-0001
www.isbe.net

Rod Blagojevich
Governor

Jesse H. Ruiz
Chairman

Dr. Randy J. Dunn
State Superintendent of Education

MANAGEMENT ASSERTION LETTER

December 2, 2005

Washington, Pittman & McKeever, LLC
819 S. Wabash, Suite 600
Chicago, Illinois 60605

Ladies and Gentlemen:

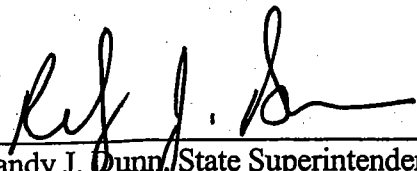
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Agency. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Agency's compliance with the following assertions during the year ended June 30, 2005. Based on this evaluation, we assert that during the year ended June 30, 2005, the Agency has materially complied with the assertions below.

- A. The agency has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The agency has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The agency has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the agency are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. The money or negotiable securities or similar assets handled by the agency on behalf of the State or held in trust by the agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

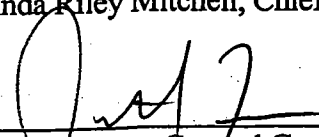
Illinois State Board of Education



Randy J. Dunn, State Superintendent of Education



Linda Riley Mitchell, Chief Financial Officer



Jonathan Furr, General Counsel

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

COMPLIANCE REPORT

SUMMARY

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

AUDITORS' REPORT

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

Number of	This Report	Prior Report
Findings	3	15
Repeated findings	3	10
Prior recommendations implemented or not repeated	12	3

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

Item No.	Page	Description
FINDINGS (GOVERNMENT AUDITING STANDARDS)		
05-1	14	Lack of Controls Over the General Educational Development (GED) Program
FINDINGS (STATE COMPLIANCE)		
05-2	16	Noncompliance with Mandated Duties
05-3	23	Follow-up to Financial and Management Audit of the Teachers Academy for Mathematics and Science
PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)		
05-4	25	Impact of Organizational Structure
05-5	25	Lack of Controls Over Accounts Receivable Reporting and Recordkeeping
05-6	25	Failure to Reconcile Cash Receipts and Cash Balances
05-7	26	Inadequate Controls Over GAAP and Financial Reporting Process
PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)		
05-8	26	Noncompliance with Reporting Requirements
05-9	26	Lack of Controls Over Receipts Processing
05-10	27	Lack of Controls Over Contract Requirements

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
05-11	27	Inaccurate Agency Fee Imposition Report Form
05-12	27	Inadequate Oversight of the Regional Offices of Education
05-13	28	Failure to Ensure Premium List Certifications
05-14	28	Failure to Conduct Performance Appraisals in a Timely Manner
05-15	28	Inaccurate Form W-2 Reporting

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on February 8, 2006. Attending were

Illinois State Board of Education

Dr. Randy J. Dunn	State Superintendent of Education
Ginger Reynolds	Assistant Superintendent
Jonathan Furr	General Counsel
Linda Mitchell	Chief Financial Officer
Melissa Oller	Division Administrator of Fiscal Services
Deborah K. Scheiter	Internal Audit Staff

Office of the Auditor General

Jane Clark	Audit Manager
Joe Gudgel	IT Audit Manager

Washington, Pittman & McKeever, LLC

Dorothy A. McLemore	Principal
Angela T. Allen	Audit Manager
Christopher Hebron	Supervisor

Responses to the recommendations were provided by Deborah K. Scheiter, in a letter dated February 17, 2006.

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**INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE, ON
INTERNAL CONTROL OVER COMPLIANCE, AND ON SUPPLEMENTARY
INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Illinois State Board of Education's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2005. The management of the Illinois State Board of Education is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Illinois State Board of Education's compliance based on our examination.

- A. The Illinois State Board of Education has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Illinois State Board of Education has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Illinois State Board of Education has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Illinois State Board of Education are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

- E. Money or negotiable securities or similar assets handled by the Illinois State Board of Education on behalf of the State or held in trust by the Illinois State Board of Education have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, including examining, on a test basis, evidence about the Illinois State Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Illinois State Board of Education's compliance with specified requirements.

In our opinion, the Illinois State Board of Education complied, in all material respects, with the aforementioned requirements during the year ended June 30, 2005. However, the results of our procedures disclosed instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings as findings 05-2 and 05-3. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

Internal Control

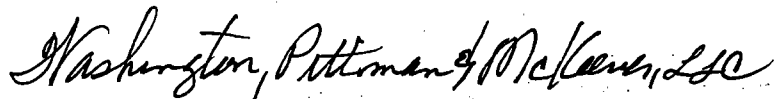
The management of the Illinois State Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the Illinois State Board of Education's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide issued by the Illinois Office of the Auditor General.

Our consideration of internal control over control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. However, the results of our procedures disclosed other matters involving internal control which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings as findings 05-1, 05-2 and 05-3.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Illinois State Board of Education as of and for the year ended June 30, 2005, which collectively comprise the Illinois State Board of Education's basic financial statements, and have issued our report thereon dated December 2, 2005. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Illinois State Board of Education. The 2005 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2005 taken as a whole. The Illinois State Board of Education's basic financial statements for the year ended June 30, 2004, which are not presented with the accompanying financial statements, were audited by other auditors whose report thereon dated December 20, 2004, expressed an unqualified opinion on the basic financial statements. Their report on the 2004 Supplementary Information for State Compliance purposes stated that the 2004 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" was fairly stated in all material respects in relation to the basic financial statements for year ended June 30, 2004, taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and Agency Management, and is not intended to be and should not be used by anyone other than these specified parties.



WASHINGTON, PITTMAN & McKEEVER, LLC

Chicago, Illinois
December 2, 2005

WASHINGTON, PITTMAN & McKEEVER, LLC

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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Illinois State Board of Education, as of and for the year ended June 30, 2005, which collectively comprise the Illinois State Board of Education's basic financial statements and have issued our report thereon dated December 2, 2005. 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

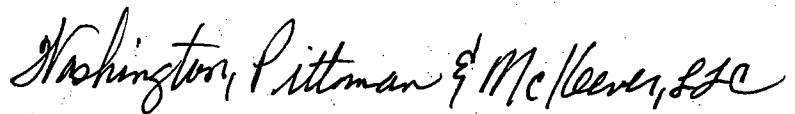
In planning and performing our audit, we considered the Illinois State Board of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Illinois State Board of Education's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and recommendations as item 05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. We also noted certain deficiencies in the design or operation of internal control over financial reporting which do not meet the criteria for reporting herein and which are reported as State compliance findings in the schedule of findings. We also noted certain immaterial instances of internal control deficiencies, which we have reported to management of the Illinois State Board of Education in a separate letter dated December 2, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Illinois State Board of Education'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 recommendations as item 05-1. We also noted certain matters which are reported as State compliance findings in the schedule of findings. We also noted certain matters which we have reported to management of the Illinois State Board of Education in a separate letter dated December 2, 2005.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and Agency Management, and is not intended to be and should not be used by anyone other than these specified parties.



WASHINGTON, PITTMAN & MCKEEVER, LLC

Chicago, Illinois
December 2, 2005

WASHINGTON, PITTMAN & McKEEVER, LLC

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INDEPENDENT ACCOUNTANT'S REPORT
ON AGREED-UPON PROCEDURES

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have performed each of the procedures enumerated below, which were agreed to by the Auditor General, solely to assist the users in evaluating management's assertion about the Illinois State Board of Education's compliance with respect to the reporting; during the year ended June 30, 2005, of the statewide high school dropout rate by grade level, sex, race, program categories, and the number of students who graduate from, transfer from, or otherwise leave bilingual programs; by the State Board of Education pursuant to 105 ILCS 5/1A-4. These agreed-upon procedures were performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our findings are as follows:

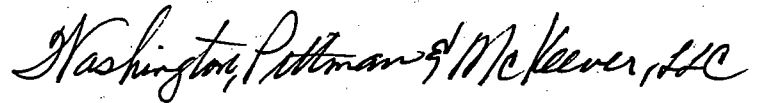
1. We reviewed the following articles of the School Code: 105 ILCS 5/1A-4, 105 ILCS 5/26-2a, and 105 ILCS 5/26-3a, noting the Agency's mandated duties.
2. We obtained and reviewed the fiscal year 2004 annual report for the State Board of Education, noting an instance of noncompliance with the statute.
3. We reviewed the State Board of Education procedures for accumulation of dropout data.
4. We reviewed the information submitted by the local school districts via the ISBE Web Application Security (IWAS) System for completion of dropout and other data for a sample of 25 local school districts.

5. We compared dropout data for the 25 selected local school districts on the Agency's Local Area Network (LAN) to the Agency's computerized recap of dropout rates for the 2003-2004 school year. We noted no significant exceptions.
6. We examined the transaction log for the completed "End of Year Reports" for the regional superintendent's approval and submission date for the selected districts. We noted no significant exceptions for the 2003-2004 End of Year Reports.
7. We reviewed the State Board of Education procedures for reviewing dropout data provided by school districts.
8. We compared dropout data totals, by grade level and by program category, on the computerized recap to those on the 2004 Annual Report, submitted to the Governor and the General Assembly. All dropout totals, by grade level and by program category, on the computerized recap agreed to the report.
9. We reviewed the State Board of Education procedures for accumulation of transitional bilingual education data as follows:
 - a. Read the form titled "Illinois Bilingual Education Programs Annual Student Report" that is sent to the applicable local school districts.
 - b. Reviewed the State Board of Education procedures for reviewing transitional bilingual education data provided by the school districts.
10. We reviewed the information submitted by the local school districts for completion of bilingual education data for 7 local school districts with bilingual education programs out of the selected 25 local school districts.
11. We compared bilingual education data for the 7 out of 25 local school districts to the Agency's summary of the number of students in bilingual education programs for 2003-2004. We noted no significant exceptions.
12. We examined transmittals and log-in sheet for the completed "Annual Student Report" for the regional superintendent's approval and submission date for the selected districts. We noted no significant exceptions for the 2003-2004 Annual Student Reports.
13. We compared bilingual education programs totals on the Agency's summary of the number of students in bilingual education programs to those on the 2004 Annual Report, submitted to the Governor and the General Assembly. Totals per Agency summary agreed to the annual report.

Our tests disclosed an instance of noncompliance which we have reported to management in a separate letter dated December 2, 2005.

These agreed-upon procedures do not constitute an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and Agency Management, and is not intended to be, and should not be, used by anyone other than these specified parties.



WASHINGTON, PITTMAN & MCKEEVER LLC

**Chicago, Illinois
December 2, 2005**

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES

FINDING 05-1 Lack of Controls over the General Educational Development (GED) Program

The Agency failed to ensure the implementation and maintenance of internal controls over the GED testing process and the accounting for program application fees. The Agency, acting as the Cook County Regional Superintendent, contracted with a third party Regional Office of Education (ROE) to serve as fiscal agent for the Cook County GED Testing Program. The Agency also contracted with a financial institution to review and approve GED applications, and to manage the collection of application fees. Approved application fees are deposited into a lockbox and credited to the State Treasury on behalf of the Agency. A Treasurer's draft is provided to the Agency when receipts pass through the Treasurer's clearing account. The third party ROE is responsible for providing the Agency with all the information related to the operation of the testing program. Receipts into the State Board of Education GED Testing Fund (Fund 161) totaled \$404,319, in fiscal year 2005.

We noted the following:

- The Agency receives statements from the bank and had access to the database maintained by vendor that provides current listings of approved applicants, but the Agency does not perform any procedures to ensure receipts deposited in the bank include all monies to which they are entitled.
- The Agency does not perform a year-end analysis to determine whether deferred revenue should have been recorded in Fund 161 GAAP Package and the financial statements.
- During the prior year, the Agency received a list of rejected GED applicants, but did not receive a list of approved applicants; therefore, the Agency was unable to determine which individuals had or had not been tested, or whether individuals tested paid the proper fee. During the current year, we noted the Agency has access to the database maintained by vendor for the GED program that provides current listings of approved applicants but depends on the vendor to ensure the applicant listings are complete and accurate. As of July 1, 2005, the GED program has been reassigned to the Illinois College Community Board (ICCB) and the Agency no longer has access to GED database. Therefore, we were unable to determine compliance.

The State of Illinois Fiscal Control and Internal Control Act (FCIAA) requires that all Agencies establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Agency personnel stated any errors or possible control weaknesses were caused by oversight.

Lack of controls over the GED testing process and the accounting of application fees could lead to the failure to collect or properly record all amounts due the State and inaccuracies in Agency and statewide financial reporting.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES
(Continued)

FINDING 05-1 Lack of Controls over the General Educational Development (GED) Program
(Continued)

In addition, during the prior audit the Agency incorrectly recorded receipts submitted to the State Treasurer on June 28, June 29, and June 30, 2004 for the S.B.E. GED Testing Fund (Fund 161) as fiscal year 2005 receipts. The receipts should have been reported as cash in transit in the June 30, 2004 Fund 161 generally accepted accounting principles (GAAP) Package. During the current audit, we noted the Agency implemented procedures to account for cash in transit items and found the Agency properly accounted for all funds received by the Treasurer for S.B.E. GED Testing Fund (Fund 161) for fiscal year 2005. We also noted there were no cash in transit receipts for Fund 161 at end of 2005. (Finding Code No. 05-1, 04-5)

RECOMMENDATION

We recommend the Agency implement policies and procedures to establish controls over the GED testing process and collection and accounting of all application fees.

AGENCY RESPONSE

The Agency agrees that the processes necessary to ensure accurate revenue recognition of GED fees were not in place. The Agency reviewed the steps and costs necessary to develop and implement the added procedures and controls, but determined that these could not be effectively implemented before the July 2005 transfer of the program to the Illinois Community College Board (ICCB). In the future, if the GED program returns to the Agency, the procedures to ensure accurate revenue recognition will be implemented.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES
(Continued)

FINDING 05-2 Noncompliance with Mandated Duties

The Agency did not comply with duties mandated by State statute. We noted the following:

- The Agency did not timely prepare 7 of 9 (78%) fiscal notes tested as requested by the General Assembly during the fiscal year. The notes range from 1-22 calendar days late. In addition, 2 of 9 (22%) fiscal notes tested were not dated and therefore we were unable to determine the timeliness. The Fiscal Note Act (25 ILCS 50/2) requires fiscal notes be prepared and furnished to the sponsor of the bill within 5 calendar days of the request. Agency personnel stated requests for fiscal notes were faxed in either aggregated or specific lists and there were instances when it was unclear whether ISBE or another agency was being asked to complete the note which sometimes delayed responses. Also some requests involved complex issues that required more than 5 days to complete.
- The Agency did not ensure regional superintendents certified to the Agency by September 1 that he or she did not employ his or her spouse, child, stepchild or relative as an assistant regional superintendent. The School Code (105 ILCS 5/3-15.10) requires regional superintendents by September 1 each year to certify to ISBE that he or she did not employ his or her spouse, child, stepchild or relative as an assistant regional superintendent. Agency personnel stated this was a case of oversight and cited that it has been included in the Fiscal Year 2006 assurances.
- The Agency did not comply with the requirement for reporting drug related incidents in schools mandated by the School Code. The School Code (105 ILCS 5/10-27.1B) requires the Agency receive an annual statistical compilation of drug-related incidents in schools from the Department of State Police and compile this information by school district and make it available to the public. Agency personnel stated the Agency, in cooperation with the Illinois State Police, is in the process of completing the plan to compile the information in the ISBE Web Application Security (IWAS) system and the information will be made available to the public in the winter of fiscal year 2006.
- The Agency did not submit its plan to incorporate social and emotional development standards as part of the Illinois Learning Standards in a timely manner. The plan developed by ISBE, together with the Children's Mental Health Partnership, was submitted to the Governor and the General Assembly on January 10, 2005, 10 calendar days late. The Children's Mental Health Act of 2003 (405 ILCS 49/5(b) thru 49/15(a)) states that ISBE shall develop and implement a plan to incorporate social and emotional development standards as part of the Illinois Learning Standards to enhance and measure children's school readiness and ability to achieve academic success. The plan shall be submitted to the Governor, the General Assembly, and the Partnership by December 31, 2004. Agency personnel stated the plan was approved at the December 2004 board meeting following extensive collaboration with Children's Mental Health Partnership representatives. Official minutes of the board meeting were not available until late December, following the holiday. The actual transmission was 7 days late due to the holiday schedule following the ISBE December Board meeting.

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CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES
(Continued)

FINDING 05-2 Noncompliance with Mandated Duties (Continued)

- The Agency did not issue Certificates of Approval for the Expenditure of Fire Prevention and Safety Funds in a timely manner. We noted 4 of 14 (29%) certificates tested, were examined and processed 10 to 47 calendar days late. Although the School Code does not stipulate a timeline for the review and approval of the certificates, 90 days was determined to be an adequate processing time period for the Agency to work with architects, engineers and schools. The School Code (105 ILCS 5/17-2.11) requires the State Superintendent of Education to review the Regional Superintendent's approval of each certified estimate of an architect and, when appropriate, to approve the architect's estimate of the costs to be expended from fire and prevention safety funds for the replacement of or addition to a school building. In addition, prudent business practice requires the information be reviewed and processed timely. Agency personnel stated in review of Fire Prevention and Safety Amendments, frequently it is necessary to request additional information and/or revisions from the Architect, Engineer, and/or District Administration. This may take longer than 90 days. Also, since the reduction in the workforce, there is only one staff member available to process the 10 Year Survey and amendments.
- The Agency did not compile data by school district on attacks on school personnel and make it public. The School Code (105 ILCS 5/10-21.7) requires the Agency to compile information by school district on attacks on school personnel and make it available to the public. Agency personnel stated the Agency, in cooperation with the Illinois State Police, is in the process of completing the plan to compile the information in the ISBE Web Application Security (IWAS) system and the information will be made available to the public in the winter of fiscal year 2006.
- The State Superintendent did not appoint 2 of 17 (12%) members of the Advisory Council on Bilingual Education as required by the School Code. The School Code (105 ILCS 5/14C-13) requires the Advisory Council on Bilingual Education, consisting of 17 members be appointed by the State Superintendent of Education and selected, as nearly as possible, on the basis of experience in or knowledge of the various programs of bilingual education. Agency personnel stated the two appointments in question were long standing committee members of the council. The oversight in sending letters rests with the council secretary.
- The Agency did not review approved charter school proposals from local school boards in a timely manner. We noted all 3 (100%) of the proposals tested were reviewed by the Agency within 17 to 24 days after the date of receipt from the local school board. The School Code (105 ILCS 5/27A-8(f)) requires that within 14 days of receipt of the local school board's report, the State Board shall determine whether the approved charter proposal is consistent with the provisions of this article and, if the approved proposal complies, certify the proposal pursuant to section 27A-6. The Agency cited there has been too little lead-time given to them to effectively comply with the Statute. The Agency is considering seeking a change to the timeframe in the legislation.

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CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES
(Continued)

FINDING 05-2 Noncompliance with Mandated Duties (Continued)

- The Agency did not timely review, approve and process 6 of 15 (40%) Safety Survey Reports tested and 3 of 10 (30%) amendments of the Safety Survey Reports tested. The mandate does not stipulate a timeline for processing Safety Survey Reports or amendments. Approval of the Safety Survey Reports requires the Agency to work with schools, contractors, and architects; therefore, 180 days was determined to be an adequate amount of time to process the reports, which were between 23 and 87 days late. The amendments require the Agency to work with architects, engineers, and schools; therefore 90 days was determined to be an adequate processing time period. The amendments were processed between 18 and 46 days late. The School Code (105 ILCS 5/2-3.12) requires the State Superintendent of Education to approve or deny Safety Survey Reports including the recommendations to effectuate compliance and, if approved, issue a certificate of approval. In addition, prudent business practice requires prompt review, approval and processing of information. Agency personnel stated that in the review of 10 Year Safety Survey Reports and Fire Prevention and Safety Amendments, many times it is necessary to request additional information and/or revisions from the Architect, Engineer, and/or District Administration. This may take longer than 180/90 days. ISBE attempts to process amendments first since this approval is required by the district to obtain the necessary funds either through a tax levy or bond. Also, due to the reduction in the workforce, there is only one staff member available to process the 10 Year Surveys and amendments.

- The Agency did not initiate and maintain an annual Governor's Recognition Program as required by the School Code. The School Code (105 ILCS 5/2-3.92) requires the Agency to initiate and maintain an annual Governor's Recognition of premier organizations meeting and exceeding established criteria for a Drug Free Illinois. Agency personnel stated a review of obsolete and duplicative sections of the School Code was done in 2003 and 2004; however, this mandate was not included in proposed legislation for amendment or repeal due to oversight.

- The Agency did not establish a State level Committee of Cooperative Services. The School Code (105 ILCS 5/13B-35.10) requires the State Superintendent of Education to convene a State level Committee of Cooperative Services and to approve the Committee's by-laws and procedures. The School Code also requires the Committee of Cooperative Services to advise the State Superintendent of Education on the statewide development, implementation, and coordination of alternative learning opportunities programs. Agency personnel stated a review of obsolete and duplicative sections of the School Code was done in 2003 and 2004; however, this mandate was not included in proposed legislation for amendment or repeal due to oversight.

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CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES
(Continued)

FINDING 05-2 Noncompliance with Mandated Duties (Continued)

- The Agency did not develop a model curriculum as required by State statute. The School Code (105 ILCS 5/27-23.2) requires the Agency to develop a model curriculum for the reduction of self-destructive behavior for use in grades 6 through 12 of public schools. Agency personnel stated a review of obsolete and duplicative sections of the School Code was done in 2003 and 2004; however, this mandate was not included in proposed legislation for amendment or repeal due to oversight.
- The Agency did not make computer literacy and high-tech competency grants available to qualifying school districts. The School Code (105 ILCS 5/2-3.43) requires the Agency to make computer-literacy grants available to qualifying school districts and educational service regions. The purpose of these grants is to provide support for staff development, hardware, software and teacher training necessary for the implementation of programs designed to achieve computer literacy and high-tech competency. Agency personnel stated this mandate is included within SB 1856 for consideration to be amended or repealed. The Agency is continuing to work towards its passage; however, the Agency has no control over the legislative action schedule or actions.

The Agency failed to consider certain mandates when establishing the annual budget. We noted noncompliance with the following mandates:

- A grant program was not established in fiscal year 2005 for school districts on the academic watch list and other school districts that have the lowest achieving students as determined by the State Board of Education. The School Code (105 ILCS 5/2-3.25d (e)) states that the State Board of Education, from any moneys it may have available for this purpose, must implement and administer a grant program that provides 2-year grants to school districts on the academic watch list and other school districts that have the lowest achieving students, as determined by the State Board of Education, to be used to improve student achievement.
- The Agency did not comply with the requirement to provide grants as required by the School Code (105 ILCS 5/34-18.19). The School Code states that the Agency shall provide, subject to appropriation, grants for the purpose of completing a school safety assessment audit and developing a written safety plan or revision of their current safety plan to implement the criteria developed by the Agency, in cooperation with the Task Force on School Safety, as specified in the school safety assessment audit.

Management believes that the Agency is in compliance with the above Statutes as the language of the Statute clearly states that the actions the Agency must take are contingent upon funds appropriated by the Legislature. Nowhere does the language state that the Agency must request funding from the Legislature for any such specific funding purposes as the annual budget process follows certain protocols determined by the Legislature and the Governor's office, as well as the Agency.

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CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES
(Continued)

FINDING 05-2 Noncompliance with Mandated Duties (Continued)

Failure to carry out mandated duties is noncompliance with statutory requirements.

In addition, during the prior audit, the Agency did not prepare or make available all provisions of family life instruction courses and evaluation procedures, did not adequately assess the performance progress for Reading Improvement Block Grant Programs, did not maintain documentation demonstrating teacher coordinators of the Work Experience and Career Exploration Program (WECEP) possessed the educational or work experience required, and did not notify school districts of a link on the Agency's website to homework assistance websites. During the current audit, we noted the Agency made available all appropriate family life instruction courses and evaluation procedures, maintained Performance Reports and assessed school districts progress for the Reading Improvement Block Grants, implemented policies and procedures to ensure teacher coordinators of the WECEP possessed the education and work experience required, and notified school districts of the existence of the Homework Assistance Website. (Finding Code No. 05-2, 04-6, 03-6, 02-13, 00-9)

RECOMMENDATION

We recommend the Agency establish policies and procedures to comply with all mandated duties.

AGENCY RESPONSE

The Agency agrees with the recommendation that it should comply with statutory requirements and will implement the following for each of the respective points:

Fiscal Note Act –

In addition to the log of Mandate and Fiscal Notes already maintained, the Agency will develop and implement a documented process for contacting the sponsors of legislation being reviewed for fiscal impact if the process will extend beyond the statutory 5 day period.

ROE Superintendent Certification –

The Agency has included the required certification in the FY06 assurances submitted by the Regional Superintendents.

Reporting Drug-related Incidents in Schools –

The Agency and the State Police began a joint project to enhance the data systems that report this and other common data. The estimated completion date for the enhanced systems is March of 2005.

Plan to Incorporate Social and Emotional Development Standards –

It should be noted that the aforementioned plan was a one-time statutory requirement that will not require further action. The Agency will continue to strive to meet all statutory requirements and deadlines in the future.

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CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES
(Continued)

FINDING 05-2 Noncompliance with Mandated Duties (Continued)

Certificates of Approval Not Timely –

With the limited staff allocated to this process and even though the statute does not specify a timeline, the Agency will continue to prioritize and process Certificates of Approval for Expenditure of Fire Prevention and Safety Funds in an effort to meet the required mandates and emergency needs of school district.

Reporting Attacks on School Personnel –

The Agency and the State Police began a joint project to enhance the data systems that report this and other common data. The estimated completion date for the enhanced systems is March of 2005.

Bilingual Advisory Council Appointments –

The Agency will ensure that both appointments and reappointments to the Advisory Council on Bilingual Education are appropriately documented.

Charter School Proposals –

The Agency will attempt to amend the statute to provide more review time. However, it should be noted that the timeframe that was reviewed was one in which there was an influx of charter original and renewal proposals and appeals of local board decisions. Particularly complicated was the appeal of the denial of the 15 districts to be served by the George Marshall Charter School. In addition, this was also the same time period that the Lincoln Charter School in Venice was submitted – a total of six times. The agency did not have adequate personnel to complete each of the reviews in the required timeframe.

Safety Survey Reports and Amendments –

With the limited staff allocated to this process and even though the statute does not specify a timeline, the Agency will continue to prioritize and review the Safety Surveys and amendments in an effort to meet the required mandates and emergency needs of school district.

Governor's Recognition Program –

The Agency continues its efforts to identify, review, and introduce legislative proposals for repeal or amendment of obsolete statutes or those statutes where amendment of the language would improve compliance or processes. As the Agency continues in these efforts, priority will be given to those statutes and/or rules that impose unnecessary burden on districts and stakeholders. The Agency would also point out that even when legislative action such as repeal or amendment of statutes is proposed; the Agency has no control over what actions, if any, the Legislature may take in this respect.

State level Committee of Cooperative Services –

The Agency continues its efforts to identify, review, and introduce legislative proposals for repeal or amendment of obsolete statutes or those statutes where amendment of the language would improve compliance or processes. As the Agency continues in these efforts, priority will be given to those statutes and/or rules that impose unnecessary burden on districts and stakeholders. The Agency would also point out that even when legislative action such as repeal or amendment of statutes is proposed; the Agency has no control over what actions, if any, the Legislature may take in this respect.

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CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES
(Continued)

FINDING 05-2 Noncompliance with Mandated Duties (Continued)

Model Curriculum --

The Agency continues its efforts to identify, review, and introduce legislative proposals for repeal or amendment of obsolete statutes or those statutes where amendment of the language would improve compliance or processes. As the Agency continues in these efforts, priority will be given to those statutes and/or rules that impose unnecessary burden on districts and stakeholders. The Agency would also point out that even when legislative action such as repeal or amendment of statutes is proposed; the Agency has no control over what actions, if any, the Legislature may take in this respect.

Computer Literacy Grants --

The Agency continues its efforts to identify, review, and introduce legislative proposals for repeal or amendment of obsolete statutes or those statutes where amendment of the language would improve compliance or processes. As the Agency continues in these efforts, priority will be given to those statutes and/or rules that impose unnecessary burden on districts and stakeholders. The Agency would also point out that even when legislative action such as repeal or amendment of statutes is proposed; the Agency has no control over what actions, if any, the Legislature may take in this respect.

Agency Failed To Consider Certain Mandates When Establishing the Annual Budget --

While the Agency agrees that ideally all mandates would be funded at the time of passage of any such legislation, the intent of statutory language such as 'may use any funds appropriated', 'any moneys that may be available for the purpose', 'subject to appropriation', etc. are intended to relieve the Agency of compliance requirements unless such funds are available/appropriated from the State Budget and respective legislative appropriations. Funding for these programs can be initiated by Governor's Office or the Legislature without any action from the Agency. Furthermore, it is not appropriate for the Agency to emphasize a need to fund any particular program not deemed by the Board as a priority for Illinois schools and/or students, simply because at some point in time legislation was enacted defining the program parameters in the event funding would be made available.

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CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES
(Continued)

FINDING 05-3 Follow-up to Financial and Management Audit of Teachers Academy for Mathematics and Science

The Agency did not properly monitor the Teachers Academy for Mathematics and Science (Academy). We noted the following:

- The Agency did not monitor the use of interest income on State Funds to ensure the funds were used for the same purpose as the principal of the grant. In addition, the Agency did not examine the Academy's use of interest revenue and recover any funds that were used for non-grant purposes. Good business practices require adequate monitoring of funds to ensure the funds are used for their intended purposes.
- The Agency did not develop criteria to be included in formal grant agreements with the Academy that returns fixed assets purchased with State funds by the Academy to the State in the event the Agency discontinues funding the Academy program. Good business practices requires any items paid for with State funds be returned to the State in the event the program is discontinued.

Proper monitoring of the Academy is important to ensure grant funds are expended as intended and items paid with State funds are returned to the State once program is discontinued. Similar issues were raised with regard to prior period funding provided by the Agency to TAMS and the Agency is awaiting an Attorney General opinion on those matters.

In addition, during the current audit several recommendations from last year were implemented as follows:

- During the prior audit, the Agency did not develop a formal agreement with the Academy that included information on what was appropriate and inappropriate use of funds, program specifications, budget guidelines and terms for the grant. During the current audit, the Agency developed a funding packet, which was sent to the Academy that included a work plan, budget guidelines and required the Executive Director to provide assurances for the application and award. In addition, the Agency sent a list of allowable and unallowable expenditures to the Executive Director to set the parameters for spending funds.
- During the prior audit, the Agency did not provide the Academy with documented outcome goals prior to the fiscal year in return for funding levels received from the State and did not monitor the Academy's performance to ensure State resources are used for the purposes intended. During the current audit, the Agency developed a work plan that documented the intended goals and developed a list of allowable and unallowable use of expenditures for the Academy to use to guide the Academy funding uses. The agreement requires written certifications be made and signed by the Executive Director prior to the disbursement of funds, which we reviewed and did not note any exceptions.

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CURRENT FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES
(Continued)

FINDING 05-3 Follow-up to Financial and Management Audit of Teachers Academy for Mathematics and Science (Continued)

- During the prior audit, the Agency did not have an established system to monitor the performance of the Academy or implement procedures governing the review of Academy prepared documents. In addition, the Agency did not verify the information presented in the Academy's evaluation reports and determine whether the increases in test scores were commensurate for the funding level received by the Academy. During the current audit, the Agency developed a review checklist to evaluate the information received and monitored the performance of the Academy. The Agency also began reviewing summary reports and assessing whether the funding is consistent with the services being delivered.

- During the prior audit, the Agency did not have administrative rules that identified what were allowable and unallowable uses of State funds and did not follow up on questioned expenditures to determine if State funds needed to be recovered. During the current audit, the Agency developed a list of allowable and unallowable expenditures and provided it to the Executive Director. In addition, the Agency developed a policy to obtain support for questioned costs and if not received to make an adjustment of subsequent disbursements for the amounts questioned. Lastly, the Agency followed up on all expenditures questioned in the financial and management audit of the Teacher Academy for Mathematics and Science and determined what funds needed to be recovered. (Finding Code No. 05-3, 04-15)

RECOMMENDATION

We recommend the Agency continue to work with the Attorney General Office to obtain the opinions as requested. In addition, the Agency should monitor the use of interest income and develop criteria covering items purchased with State funds.

AGENCY RESPONSE

The Agency has devoted substantial time and effort to satisfactorily settle the FY03 questioned costs related to the FY03 TAMS audit findings. No funds were appropriated for TAMS in FY04 and the FY05 appropriation was subject to formal agreements and guidance as noted above by the auditors. The Agency also conducted an on-site monitoring visit to TAMS in June 2005 to ensure that those funds were expended in accordance with the agreement and final expenditure and programmatic reports were submitted. TAMS received no funds for FY06 and TAMS ceased operations in early FY06.

To forestall any future issues (such as appropriate use of interest income or disposition of assets purchased with state funds) that may ensue from 'appropriations' without accompanying legislative grant language, the Agency now requires formal agreements defining such matters with all intended subrecipients of any such appropriations.

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PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

05-4 Impact of Organizational Structure

During the prior audit, the Agency's decentralized organizational structure led to the failure to properly communicate essential financial reporting information such as accounts and loan receivables, and grant program details between the financial reporting division and other divisions. The fragmented organizational structure was not conducive to providing management with the information necessary to determine the financial reporting impact of all events and transactions affecting the agency.

During the current audit, we noted the Agency implemented some changes to its organizational structure and established additional procedures to address the communication and dissemination of information. These changes resulted in fewer audit findings in the current audit period. (Finding Code No. 04-1, 03-1, 02-1)

05-5 Lack of Controls Over Accounts Receivable Reporting and Recordkeeping

During the prior audit, the Agency did not have sufficient controls over its accounts receivable reporting and recordkeeping. Specifically, the Agency did not accurately report receivables information on reports to the State Comptroller, did not perform adequate reconciliations procedures and had numerous problems with a new loan system they implemented to maintain Fund 569 loans.

During the current audit, we did not note any instances in our testing where the Agency failed to submit timely and accurate accounts receivable reports. In addition, the Agency did away with the new loan system they had implemented to maintain the Fund 569 loans. (Finding Code No. 04-2, 03-2, 02-7)

05-6 Failure to Reconcile Cash Receipts and Cash Balances

During the prior audit, the Agency did not properly perform reconciliations of cash receipts or cash balances. Specifically, the Agency did not reconcile amounts in its accounting records to Comptroller records, did not include cash on hand and cash in transit during the reconciliation process and lacked formal policies and procedures to provide guidance for proper reconciliations.

During the current audit, the Agency performed reconciliations of cash receipts and cash balances on a monthly basis and included cash on hand and cash in transit. (Finding Code No. 04-3, 03-3, 02-6)

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PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

(Continued)

05-7 Inadequate Controls Over GAAP and Financial Reporting Process

During the prior audit, the Agency did not maintain adequate controls over, nor did it devote the proper time or resources to the generally accepted accounting principle (GAAP) and financial reporting process. Specifically, financial statements and footnotes were not prepared timely and contained errors necessitating many revisions, several errors were noted in the GAAP Package review that necessitated many adjusting entries and revisions, and the Agency required assistance from the auditors for preparation of the financial statements.

During the current audit, the Agency prepared financial statements and footnotes timely and did not require assistance from the auditors. In addition, no material adjusting entries or revisions were noted during our GAAP package review. (Finding Code No. 04-4, 03-4, 02-2)

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

05-8 Noncompliance with Reporting Requirements

During the prior audit, the Agency did not properly report all information as required by the School Code to the Governor and General Assembly. Specifically, the Agency did not report all requirements of the Vocational Education Act and did not timely submit the Teacher Supply and Demand Annual Report.

During the current audit, the Agency reported information required by the Vocational Education Act and submitted the Teacher Supply and Demand Annual Report timely. (Finding Code No. 04-7, 03-7)

05-9 Lack of Controls Over Receipts Processing

During the prior audit, the Agency did not maintain proper controls over miscellaneous receipts processing. Specifically, the Agency did not deposit receipts into the State Treasury or remit Treasurer's Drafts to the Comptroller's Office timely and used a cut-off time one hour earlier than allowed by State statute. In addition, cash received listings were not signed and/or dated as received or approved, did not contain deposit authorization signatures and were not signed and/or dated by the mail opener. Lastly, some receipts were posted to an incorrect revenue source code.

During the current audit, the Agency processed miscellaneous receipts timely. (Finding Code No. 04-8)

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PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)
(Continued)

05-10 Lack of Controls Over Contract Requirements

During the prior audit, the Agency did not maintain proper controls over contract requirements. Specifically, the Agency did not reduce to writing professional and artistic contracts before services were performed and did not file a Professional and Artistic Services Affidavit as required. In addition, some contracts did not contain disclosures that were dated by the vendor or Agency official.

During the current audit, our sample testing did not disclose any instances where the Agency was not in compliance with contracting rules, regulations and statutory requirements. (Finding Code No. 04-9, 03-8, 02-10)

05-11 Inaccurate Agency Fee Imposition Report Form

During the prior audit, the Agency did not properly report the fees collected on the 2004 Agency Fee Imposition Report Form submitted to the Office of the State Comptroller. The Agency classified all school bus driver fees as School Bus Driver refresher course fees and recorded no fees for the School Bus Driver initial classroom course in school bus driver safety.

During the current audit, the responsibility for collecting Bus Driver fees were transferred to the Suburban Cook Regional Office of Education, however per our testing all fees collected by the Agency were reported on its 2005 Agency Fee Imposition Report Form. (Finding Code No. 04-10, 03-10, 02-8)

05-12 Inadequate Oversight of the Regional Offices of Education

During the prior audit, the Agency did not provide adequate oversight of the Regional Offices of Education (ROEs) and Intermediate Service Centers (ISCs). Specifically, the Agency did not include language identifying allowable and unallowable expenditures in some grant application material and did not properly perform annual record reviews of the 48 ROEs/ISCs.

During the current period, the Agency developed and disseminated guidelines on allowable and unallowable costs and developed a checklist to perform annual reviews of the 48 ROEs/ISCs. In addition, we reviewed 12 of the 48 ROEs/ISCs and noted annual reviews were performed in accordance with the established policy. (Finding Code No. 04-11, 03-11, 02-11)

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PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)
(Continued)

05-13 Failure to Ensure Premium List Certifications

During the prior audit, the Agency did not comply with a provision of the Agricultural Fair Act. Specifically, premium list certifications and financial statements did not contain all required information and were not signed nor notarized by the fair supervisor. Also, the Agency did not maintain documentation to support financial statements were forwarded to the Department of Agriculture within 30 days of the close of the fair.

During the current audit, the Agricultural Fair Act was amended to transfer the above duties to the Department of Agriculture. (Finding Code No. 04-12, 03-12, 02-12)

05-14 Failure to Conduct Performance Appraisals in a Timely Manner

During the prior audit, the Agency did not complete timely employee performance appraisals in accordance with the Illinois State Board of Education Human Resource Manual. We noted no performance appraisals were on file for 10 of 40 employees, 2 performance appraisals were performed 22 and 43 days late, and 4 performance appraisals were not filed with Human Resources at least 2 weeks prior to the scheduled due date.

During the current audit period, the Agency strengthened its controls over performance evaluations. However, we did note a few issues which have been reported as immaterial finding IM05-3. (Finding Code No. 04-13)

05-15 Inaccurate Form W-2 Reporting

During the prior audit, the Agency did not properly include the reimbursement of moving expenses in its 2003 Form W-2 reporting for one employee.

During the current audit, the Agency implemented review policies and procedures to address Form W-2 reporting requirements set forth in Treasury Regulations. We noted no instances of noncompliance during our review of the Form W-2 submitted. (Finding Code No. 04-14)

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Illinois State Board of Education was performed by Washington, Pittman & McKeever, LLC.

Based on their audit, the auditors expressed an unqualified opinion on the Agency's basic financial statements.

WASHINGTON, PITTMAN & McKEEVER, LLC

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INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Illinois State Board of Education, as of and for the year ended June 30, 2005, which collectively comprise the Illinois State Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Illinois State Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the financial statements of the Illinois State Board of Education are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Illinois State Board of Education. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2005, and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Illinois State Board of Education as of June 30, 2005 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 2, 2005 on our consideration of the Illinois State Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Illinois State Board of Education has not presented a management's discussion and analysis and budgetary comparison information for the General Fund 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Illinois State Board of Education's basic financial statements. The combining individual governmental funds – General Fund and the combining individual governmental funds – Nonmajor Funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining individual governmental funds – General Fund and the combining individual governmental funds – Nonmajor Funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, and Agency Management, and is not intended to be and should not be used by anyone other than these specified parties.

Washington, Pittman & McKeever, LLC

WASHINGTON, PITTMAN & MCKEEVER, LLC

Chicago, Illinois
December 2, 2005

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET

AS OF JUNE 30, 2005

(amounts expressed in thousands)

	General Fund	Nonmajor	Total Governmental Funds	Adjustments	Statement of Net Assets
ASSETS					
Unexpended appropriations	\$ 65,660	\$ -	\$ 65,660	\$ -	\$ 65,660
Cash and cash equivalents	7	12,372	12,379	-	12,379
Due from other government - federal	285	201,919	202,204	-	202,204
Due from other government - local	-	21	21	-	21
Other receivables	-	131	131	-	131
Due from other State funds	27	937	964	(355)	609
Due from component units of the State	-	136	136	-	136
Inventories	-	1,869	1,869	-	1,869
Loans receivable	-	10,479	10,479	-	10,479
Prepaid expenses	-	-	-	197	197
Capital assets not being depreciated	-	-	-	1,063	1,063
Capital assets being depreciated, net	-	-	-	2,154	2,154
TOTAL ASSETS	\$ 65,979	\$ 227,864	\$ 293,843	\$ 3,059	\$ 296,902
LIABILITIES					
Accounts payable and accrued liabilities	\$ 9	\$ 3,022	\$ 3,031	\$ -	\$ 3,031
Due to other government - federal	9	1,802	1,811	-	1,811
Due to other government - local	1,367,535	203,067	1,570,602	-	1,570,602
Due to other State funds	85	1,417	1,502	(355)	1,147
Due to component units of the State	163	480	643	-	643
Deferred revenue	285	9,729	10,014	(9,854)	160
Compensated absences, current portion	-	-	-	311	311
Compensated absences, long-term portion	-	-	-	4,167	4,167
Capital lease, current portion	-	-	-	92	92
Capital lease, long-term portion	-	-	-	277	277
Other liabilities, current portion	-	695	695	4,500	5,195
Other liabilities, long-term portion	-	-	-	9,627	9,627
Total Liabilities	1,368,086	220,212	1,588,298	8,765	1,597,063
FUND BALANCE/NET ASSETS					
Reserved for encumbrances	-	65	65	(65)	-
Reserved for inventories	-	1,869	1,869	(1,869)	-
Reserved for long-term portion of loans receivable	-	6,327	6,327	(6,327)	-
Invested in capital assets, net of related debt	-	-	-	3,217	3,217
Restricted net assets	-	-	-	7,624	7,624
Unreserved, unrestricted	(1,302,107)	(609)	(1,302,716)	(8,286)	(1,311,002)
Total Fund Balance/Net Assets	(1,302,107)	7,652	(1,294,455)	\$ (5,706)	\$ (1,300,161)
TOTAL LIABILITIES AND FUND BALANCE	\$ 65,979	\$ 227,864	\$ 293,843		

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET ASSETS

AS OF JUNE 30, 2005

(amounts expressed in thousands)

Total fund balance - governmental funds	\$ (1,294,455)
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.	3,217
Prepaid expenses for governmental activities are current uses of financial resources for funds.	197
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.	9,854
Some liabilities reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds. These activities consist of:	
Capital lease obligations	(369)
Compensated absences	(4,478)
Claims and judgments	(14,127)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (1,300,161)</u>

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

FOR THE YEAR ENDED JUNE 30, 2005

(amounts expressed in thousands)

	General Fund	Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES					
Program expense - education	\$ 5,785,305	\$ 1,837,369	\$ 7,622,674	\$ 9,116	\$ 7,631,790
Debt service principal	270	-	270	(270)	-
Debt service interest	1	-	1	-	1
Capital outlays	817	90	907	(907)	-
Total Expenditures/Expenses	<u>5,786,393</u>	<u>1,837,459</u>	<u>7,623,852</u>	<u>7,939</u>	<u>7,631,791</u>
PROGRAM REVENUES					
Charges for services:					
Licenses and fees	156	2,111	2,267	-	2,267
Total charges for services	<u>156</u>	<u>2,111</u>	<u>2,267</u>	<u>-</u>	<u>2,267</u>
Operating grant revenue:					
Federal	724	1,834,389	1,835,113	200	1,835,313
Total operating grant revenue	<u>724</u>	<u>1,834,389</u>	<u>1,835,113</u>	<u>200</u>	<u>1,835,313</u>
Net Program Revenues	<u>(5,785,513)</u>	<u>(959)</u>	<u>(5,786,472)</u>	<u>(7,739)</u>	<u>(5,794,211)</u>
GENERAL REVENUES					
Interest	-	520	520	-	520
Other (net)	4	270	274	-	274
Total General Revenues	<u>4</u>	<u>790</u>	<u>794</u>	<u>-</u>	<u>794</u>
OTHER SOURCES (USES)					
Appropriations from State resources	5,809,338	15,923	5,825,261	-	5,825,261
Reappropriations to future year(s)	(7)	-	(7)	-	(7)
Receipts remitted to State Treasury	(4,158)	(86)	(4,244)	-	(4,244)
Capital transfers (to) other State agencies	-	-	-	(124)	(124)
Loss on disposal of capital assets	-	-	-	-	-
Operating transfers - in	-	400	400	(400)	-
Operating transfers - out	(400)	(50,405)	(50,805)	400	(50,405)
Mandatory transfers - out	-	-	-	-	-
Proceeds from capital lease financing	611	-	611	(611)	-
Total Other Sources (Uses)	<u>5,805,384</u>	<u>(34,168)</u>	<u>5,771,216</u>	<u>(735)</u>	<u>5,770,481</u>
Change in fund balance/net assets	19,875	(34,337)	(14,462)	<u>\$ (8,474)</u>	(22,936)
Lapsed appropriations	(58,304)	(55)	(58,359)		(58,359)
Fund Balance/Net Assets July 1, 2004	<u>(1,263,678)</u>	<u>42,044</u>	<u>(1,221,634)</u>		<u>(1,218,866)</u>
FUND BALANCE/NET ASSETS JUNE 30, 2005	<u><u>\$ (1,302,107)</u></u>	<u><u>\$ 7,652</u></u>	<u><u>\$ (1,294,455)</u></u>		<u><u>\$ (1,300,161)</u></u>

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

(amounts expressed in thousands)

Net Change in Fund Balance - governmental funds	\$	(14,462)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation exceeded capital outlays in the current period.		71
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		270
Some capital additions were financed through capital lease agreements. In governmental funds, capital lease agreements are considered a source of financing, but in the Statement of Net Assets the lease obligation is reported as a liability.		(611)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the decrease in unavailable revenue over the prior year.		200
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in prepaid expenses		(245)
Decrease in compensated absences		592
Increase in claims and judgments		(8,627)
Some capital assets were transferred out to other State agencies and, therefore, were disposed of by the Agency without receipt for value.		(124)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	(22,936)

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

1. ORGANIZATION

The Illinois State Board of Education (the Agency) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The Agency operates under a budget approved by the General Assembly in which resources primarily from the State's General Fund and other funds are appropriated for the use of the Agency. Activities of the Agency are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Department of Central Management Services and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to the Agency and all other cash received are under the custody and control of the State Treasurer.

The Illinois State Board of Education is organized to provide leadership, advocacy, and support for the work of school districts, policymakers, and citizens in making Illinois education *Second to None*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Agency have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

FINANCIAL REPORTING ENTITY

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either a) the primary government's ability to impose its will, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Based upon the required criteria, the Agency has no component units and is not a component unit of any other entity. However, because the Agency is not legally separate from the State of Illinois, the financial statements of the Agency are included in the financial statements of the State of Illinois. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1871.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

BASIS OF PRESENTATION

The financial activities of the Agency, which consist only of governmental activities, are reported under the general government function in the State of Illinois' Comprehensive Annual Financial Report. For its reporting purposes, the Agency has combined the fund and government-wide financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. A brief description of the Agency's government-wide and fund financial statements is as follows:

Government-wide Statements: The government-wide statement of net assets and statement of activities report the overall financial activity of the Agency. Eliminations have been made to minimize the double-counting of internal activities of the Agency. The financial activities of the Agency consist only of governmental activities, which are primarily supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function (i.e. general government) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Agency's funds. The emphasis on fund financial statements is on major governmental funds, which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Agency administers the following major governmental funds (or portions thereof in the case of shared funds – see Note 2 Shared Fund Presentation) of the State:

General – This is the State's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund. The services which are administered by the Agency and accounted for in the general fund include, among others, social assistance, education (other than institutions of higher education), and health and social services. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements. The Agency's General Fund grouping contains three primary sub-accounts (General Revenue – 001, Education Assistance – 007, and Common School – 412) with numerous secondary sub-accounts.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

Additionally, the Agency administers the following fund types:

Special Revenue – Transactions related to resources obtained from specific revenue sources (other than capital projects) that are legally restricted to expenditures for specified purposes are accounted for in special revenue funds. All Agency administered State and federal trust funds are included in the Special Revenue Funds grouping.

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 at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Agency gives (or receives) value without directly receiving (or giving) equal value in exchange, include federal and State grants. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds 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 State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Agency has no significant revenue sources which are susceptible to accrual. All revenue sources including federal grants, fees and other miscellaneous revenues are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

SHARED FUND PRESENTATION

The financial statement presentation for the General Revenue Fund (001), Education Assistance Fund (007), Drivers Education Fund (031), Common School Fund (412), School Infrastructure Fund (568), and Fund for Illinois' Future (611) represents only the portion of the shared funds that can be directly attributed to the operations of the Agency. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Comprehensive Annual Financial Report.

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the Agency's portion of shared funds:

Unexpended Appropriation

This "asset" account represents lapse period warrants issued between July and August annually in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year.

Appropriations from State Resources

This "other financing source" account represents the final legally adopted appropriation according to SAMS records.

Reappropriations to Future Year(s)

This contra revenue account reduces current year appropriations by the amount of the reappropriation to reflect the State's realignment of the budgetary needs to the subsequent year and avoid double counting of a portion of the appropriation in more than one fiscal year.

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 14 month period from July to August of the following year and reappropriations to subsequent years according to SAMS records.

Receipts Collected and Transmitted to State Treasury

This "other financing source" account represents all cash receipts received during the fiscal year from SAMS records.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of less than 90 days at the time of purchase and consist principally of deposits held in the State Treasury. Cash and cash equivalents also include cash on hand and in transit.

INVENTORIES

Inventories, consisting primarily of agricultural commodities and paper, printing and office supplies are valued at cost, principally on the first-in, first-out (FIFO) method. Commodities are valued at the value assigned to the commodities by the donor, the U.S. Department of Agriculture. Inventories of governmental funds are recorded as expenditures when consumed rather than purchased.

INTERFUND TRANSACTIONS AND TRANSACTIONS WITH STATE OF ILLINOIS COMPONENT UNITS

The Agency has the following types of interfund transactions between funds of the Agency and funds of other State agencies:

Services provided and used – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers – flows of assets (such as cash or commodities) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

The Agency also has activity with various component units of the State of Illinois for professional services received and payments for State and Federal programs.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

CAPITAL ASSETS

Capital assets, which include property, plant and equipment, are reported at cost. Contributed assets are reported at estimated fair value at the time received. Capital assets are depreciated using the straight-line method.

Capitalization thresholds and the estimated useful lives are as follows:

<u>Capital Asset Category</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$100,000	n/a
Land Improvements	25,000	n/a
Site Improvements	25,000	3-50 years
Buildings	100,000	10-60 years
Building Improvements	25,000	10-45 years
Equipment	5,000	3-25 years

COMPENSATED ABSENCES

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated vacation and sick leave balances for Agency employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., Social Security and Medicare tax).

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

FUND BALANCES

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Designations of fund balances represent tentative State plans that are subject to change.

NET ASSETS

In the government-wide financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. DEPOSITS

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury.

Deposits in the custody of the State Treasurer, including cash on hand or in transit, totaled \$12,379 million at June 30, 2005. These deposits are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Agency does not own individual securities. Detail on the nature of these deposits is available within the State of Illinois' Comprehensive Annual Financial Report.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

4. INTERFUND BALANCES AND ACTIVITY

BALANCES DUE TO/FROM OTHER FUNDS

The following balances (amounts expressed in thousands) at June 30, 2005, represent amounts due from other funds of the Agency and other State of Illinois funds.

Fund	Due from other funds of the Agency	Due from other State funds	Description/Purpose
General	\$ 0	\$ 27	Grants for educational purposes
Nonmajor Governmental	355	582	Grants for educational purposes
TOTAL	\$ 355	\$ 609	

The following balances (amounts expressed in thousands) at June 30, 2005, represent amounts due to other funds of the Agency and other State of Illinois funds.

Fund	Due to other funds of the Agency	Due to other State funds	Description/Purpose
General	\$ 0	\$ 85	Grants for educational purposes
Nonmajor Governmental	355	1,062	Grants for educational purposes and for federal food service programs
TOTAL	\$ 355	\$ 1,147	

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

TRANSFERS TO/FROM OTHER FUNDS

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2005, were as follows:

Fund	Transfers in from other funds of the Agency	Transfers in from other State funds	Description/Purpose
General	\$ 0	\$ 0	N/A
Nonmajor Governmental	400	0	Transfer from General fund for loan programs.
TOTAL	\$ 400	\$ 0	

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2005, were as follows:

Fund	Transfers out to other funds of the Agency	Transfers out to other State funds	Description/Purpose
General	\$ 400	\$ 0	Transfer to Agency nonmajor governmental funds for loan programs and to other State funds for Early Intervention Program.
Nonmajor Governmental	0	50,405	Statutory transfers to other State funds for budget shortfalls and for fund closures.
TOTAL	\$ 400	\$ 50,405	

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

5. BALANCES AND ACTIVITY BETWEEN THE AGENCY AND COMPONENT UNITS

Transactions between the Agency and component units of the State of Illinois include payments for professional services and payments for State and federal grant programs.

Amounts due to/from discretely presented component units of the State of Illinois at June 30, 2005, were as follows (amounts expressed in thousands):

Fund	Due from component units	Due to component units	Description/Purpose
General	\$ 0	\$ 163	Grants for educational purposes
Nonmajor Governmental	136	480	Grants for educational purposes and for federal food service programs
TOTAL	\$ 136	\$ 643	

6. LOANS RECEIVABLE

The Agency administers four programs that provide loans to schools for various educational purposes.

- *School District Emergency Financial Assistance Program* – This program is available to provide school districts with emergency financial assistance.
- *Charter Schools Revolving Loan Program* – This program is designed to encourage and financially support high quality charter schools throughout Illinois. Loans are available to charter schools in the initial years of their charters.
- *School Technology Revolving Loan Program* – This program is designed to provide school districts with the technology tools and research-proven software to help all of their students achieve the Illinois Learning Standards, especially in reading and mathematics. Three year loans are available to school districts through this program to assist in achieving these goals.
- *Temporary Relocation Revolving Loan Program* – This program is available to pay school district emergency relocation expenses incurred as a result of fire, earthquake, tornado, or other natural or man-made disaster or school building condemnation made by a Regional Office of Education and approved by the State Superintendent of Education. The purpose of the program is to assist school districts in providing a safe, temporary environment for learning.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

Loans receivable balances reported by the Agency at June 30, 2005 consist of short-term amounts due (amounts due within one year) and long-term amounts due (amounts due after one year). These amounts are categorized below:

<u>Program</u>	<u>Balance June 30, 2005</u>	<u>Short-Term Balance</u>	<u>Long-Term Balance</u>
School District Emergency Financial Assistance Program	\$ 4,874	\$ 613	\$ 4,261
Charter Schools Revolving Loan Program	76	19	57
School Technology Revolving Loan Program	4,633	3,255	1,378
Temporary Relocation Revolving Loan Program	896	265	631
TOTAL	\$ 10,479	\$ 4,152	\$ 6,327

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

7. CAPITAL ASSETS

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2005 was as follows:

	Balance July 1, 2004	Additions	Deletions	Net Transfers	Balance June 30, 2005
Capital assets not being depreciated:					
Land	\$ 1,063	\$ 0	\$ 0	\$ 0	\$ 1,063
Total capital assets not being depreciated	1,063	0	0	0	1,063
Capital assets being depreciated:					
Buildings	436	0	0	0	436
Equipment	9,142	907	(1,046)	(1,557)	7,446
Capital lease Equipment	42	0	0	0	42
Total Capital Assets Being Depreciated	9,620	907	(1,046)	(1,557)	7,924
Less: accumulated depreciation					
Buildings	202	9	0	0	211
Equipment	7,197	813	(1,046)	(1,433)	5,531
Capital lease Equipment	14	14	0	0	28
Total Accumulated Depreciation	7,413	836	(1,046)	(1,433)	5,770
Total Capital Assets Being Depreciated, Net	2,207	71	(0)	(124)	2,154
TOTAL CAPITAL ASSETS, NET	\$ 3,270	\$ 71	\$ (0)	\$ (124)	\$ 3,217

Depreciation expense for governmental activities for the year ended June 30, 2005 was charged to the Education function for an amount of \$836 thousand.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

8. LONG-TERM OBLIGATIONS

CHANGES IN LONG-TERM OBLIGATIONS

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2005 were as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Amounts due within 1 year
Compensated absences	\$ 5,070	\$ 2,484	\$ 3,076	\$ 4,478	\$ 311
Capital lease obligations	28	611	270	369	92
Other obligations	5,500	10,390	1,763	14,127	4,500
TOTAL	\$ 10,598	\$ 13,485	\$ 5,109	\$ 18,974	\$ 4,903

Compensated absences have been liquidated by the applicable governmental funds that account for the salaries and wages of the related employees. Claims and judgments, reported as other obligations, typically have been liquidated from the S.B.E. Federal Department of Education Fund (561).

CAPITAL LEASE OBLIGATIONS

The Agency leases office equipment with a historical cost and accumulated depreciation of \$653 and \$14, respectively, under a capital lease arrangement. The lease is renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered noncancelable leases for financial reporting. Interest was computed at a rate of 3.89%. Future minimum lease payments (amounts expressed in thousands) at June 30, 2005 were as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2006	\$ 92
2007	77
2008	77
2009	77
2010	78
Total minimum lease payments	401
Less: amounts representing interest	(32)
Present value of minimum lease payments	369

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

9. PENSION PLAN

PLAN DESCRIPTION

Substantially all of the Agency's full-time employees who are not eligible for participation in another State-sponsored retirement plan participate in either the State Employees' Retirement System (SERS) or the Teachers' Retirement System (TRS), which are pension trust funds in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which the State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The TRS is a cost-sharing multiple-employer PERS covering individuals employed to provide services for which teacher certification is required.

The financial position and results of operations of the SERS and the TRS for fiscal year 2005 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2005. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255 or by calling (217) 785-7202. The TRS also issues a separate CAFR that may be obtained by writing to the TRS, P.O. Box 19253, Springfield, Illinois, 62794-9253 or by calling (217) 753-0311. The State of Illinois CAFR may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1858 or by calling (217) 782-2053.

A summary of SERS' and TRS' benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established, are included as an integral part of the SERS' and TRS' CAFRs. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

FUNDING POLICY

For employees covered by the SERS, the Agency pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2005, the employer contribution rates for the SERS were 16.107%. Effective for pay periods beginning after December 31, 1991, the State opted to pay the entire employee portion of retirement for most State agencies, including the Agency, with employees covered by the State Employees' Retirement System. However, effective with the fiscal year 2004 budget, the State opted to stop paying the portion or a part of the portion of retirement for many State agencies, including the Agency, for certain classes of employees covered by the State Employees' and Teachers' Retirement Systems. The pickup, when applicable, is subject to sufficient annual appropriations and those employee covered may vary across employee groups and State agencies. Currently, State officers, judges, general assembly members, and State university employees are not eligible for the employee pickup. The fiscal year 2005 employer contribution rate to the SERS for alternative formula employees was 16.107%.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

For employees covered by the TRS, the Agency pays employer retirement contributions based on a statutory based percentage of .58%. For employees paid from federal funds, the fiscal year 2005 employer contribution rate to the TRS was 10.5%. In addition, the State of Illinois makes employer contributions "on behalf" of TRS covered employees. For the year ended June 30, 2005, State contributions were based on 11.76% of creditable earnings.

10. POST-EMPLOYMENT BENEFITS

The State provides health, dental and life insurance benefits for certain retirees and their dependents. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health and dental benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to \$5,000 per annuitant age 60 and older.

Costs incurred for health, dental and life insurance for annuitants and their dependents were not separated from benefits provided to active employees and their dependents for the year ended June 30, 2005. However, post-employment costs for the State as a whole for all State agencies for dependent health, dental and life insurance for annuitants and their dependents are disclosed in the Illinois Comprehensive Annual Financial Report for the State. Cost information for retirees by individual State agency is not available. Payments are made on a "pay-as-you-go" basis.

11. FUND DEFICITS

The following funds had deficit balances at June 30, 2005 (amounts expressed in thousands):

General Revenue Fund (001)	\$1,302,107
Drivers Education Fund (031)	15,745

These deficits are expected to be recovered from future years' State appropriations and federal funds.

12. RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation and natural disasters. The State retains the risk of loss (i.e. self insured) for these risks.

The Agency's risk management activities for self-insurance, unemployment insurance and workers' compensation are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the general fund of the State. The claims are not considered to be a liability of the Agency; and accordingly, have not been reported in the Agency's financial statements for the year ended June 30, 2005.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

13. OTHER OBLIGATIONS

A lawsuit against the City of Chicago and the Agency has resulted in a settlement requiring the Agency to pay \$19.25 million over 7 years to the Chicago Public School District 299 to assist the district in providing special education services to identified eligible children within the least restrictive environment. The settlement, reached in July 1999, requires the Agency to pay \$2.75 million per year through January 2006. Due to the district's failure to disburse an adequate amount of ISBE's portion of the settlement for the intended purpose, ISBE has paid only \$5.12 million of the settlement amount through June 30, 2005. In fiscal year 2005, a federal judge extended the ruling through the end of the 2009-2010 school year. This ruling allowed for ISBE to restructure the payments for the remaining \$14.13 million due the district through fiscal year 2010. The current year portion of the obligation is accounted for in the ISBE Federal Department of Education Fund a non-major governmental fund. As of June 30, 2005, the current year portion of the obligation is \$4.5 million. The long term portion of the obligation at June 30, 2005 is \$9.63 million and is accounted for in the government-wide financial statements.

14. COMMITMENTS AND CONTINGENCIES

OPERATING LEASES

The Agency leases office space under the terms of a noncancelable operating lease agreement that requires the Agency to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was \$3.2 million for the year ended June 30, 2005.

The following is a schedule of future minimum lease payments (amounts expressed in thousands):

<u>Year ending June 30,</u>	<u>Amount</u>
2006	\$ 2,639
2007	2
TOTAL	<u>\$ 2,641</u>

FEDERAL FUNDING

The Agency receives federal grants which are subject to review and audit by federal grantor agencies. Certain costs could be questioned as not being eligible expenditures under the terms of the grants. At June 30, 2005, there were no material questioned costs that have not been resolved with the federal awarding agencies. However, questioned costs could still be identified during audits to be conducted in the future. Management of the Agency believes there will be no material adjustments to the federal grants and, accordingly, has not recorded a provision for possible repayment.

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ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

LITIGATION

The Agency is named as a defendant in three separate lawsuits in which the plaintiffs claim personal injury stemming from tainted chicken tenders allegedly consumed by students; claim the Agency's structure of funding and reimbursement for special education creates a financial incentive for school districts to place students out of the district into private facilities; and an administrative appeal of a Hearing Officer's decision regarding the placement of a student at an alternative day school.

In each of the above lawsuits, it is reasonably possible that the Agency will be found liable for losses estimated to be between \$500,000 and \$600,000.

In addition, the Agency is involved in a number of legal proceedings and claims that cover a wide range of matters. The ultimate results of these lawsuits and other proceedings against the Agency cannot be predicted with certainty; however, the Agency does not expect such matters to have a material affect on the financial position of the Agency.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMBINING INDIVIDUAL GOVERNMENTAL FUNDS - GENERAL FUND
BALANCE SHEET

AS OF JUNE 30, 2005

(amounts expressed in thousands)

	General Revenue Fund (001)	Education Assistance Fund (007)	Common School Fund (412)	Total
ASSETS				
Cash and cash equivalents	\$ 7	\$ -	\$ -	\$ 7
Due from other government - federal	285	-	-	285
Due from other government - local	-	-	-	-
Other receivables	-	-	-	-
Due from other State funds	27	-	-	27
Due from component units of the State	-	-	-	-
Inventories	-	-	-	-
Loans receivable	-	-	-	-
Prepaid expenses	-	-	-	-
Unexpended appropriation	65,654	-	6	65,660
TOTAL ASSETS	\$ 65,973	\$ -	\$ 6	\$ 65,979
LIABILITIES				
Accounts payable and accrued liabilities	\$ 9	\$ -	\$ -	\$ 9
Due to other government - federal	9	-	-	9
Due to other government - local	1,367,529	-	6	1,367,535
Due to other State funds	85	-	-	85
Due to component units of the State	163	-	-	163
Deferred revenue	285	-	-	285
Other liabilities	-	-	-	-
TOTAL LIABILITIES	1,368,080	-	6	1,368,086
FUND BALANCE				
Reserved for:				
Encumbrances	-	-	-	-
Inventories	-	-	-	-
Long-term portion of loans receivable	-	-	-	-
Unreserved:				
Undesignated	(1,302,107)	-	-	(1,302,107)
TOTAL FUND BALANCE (DEFICIT)	(1,302,107)	-	-	(1,302,107)
TOTAL LIABILITIES AND FUND BALANCE	\$ 65,973	\$ -	\$ 6	\$ 65,979

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMBINING INDIVIDUAL GOVERNMENTAL FUNDS - GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2005

(amounts expressed in thousands)

	General Revenue Fund (001)	Education Assistance Fund (007)	Common School Fund (412)	Total
REVENUES				
Federal government	\$ 724	\$ -	\$ -	\$ 724
Licenses and fees	156	-	-	156
Interest	-	-	-	-
Other revenues	4	-	-	4
Refunds	-	-	-	-
Total Revenues	884	-	-	884
EXPENDITURES				
Education	2,095,895	731,884	2,957,526	5,785,305
Debt Service:				
Principal	270	-	-	270
Interest	1	-	-	1
Capital outlay	817	-	-	817
Total Expenditures	2,096,983	731,884	2,957,526	5,786,393
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,096,099)	(731,884)	(2,957,526)	(5,785,509)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	2,118,987	731,900	2,958,451	5,809,338
Reappropriation to fiscal year 2006	(7)	-	-	(7)
Net change in liabilities for reappropriated a	-	-	-	-
Operating transfers-in	-	-	-	-
Operating transfers-out	(400)	-	-	(400)
Mandatory transfers-out	-	-	-	-
Capital lease	611	-	-	611
Receipts remitted to State Treasury	(4,142)	(16)	-	(4,158)
NET OTHER SOURCES (USES) OF FINANCIAL RESOURCES	2,115,049	731,884	2,958,451	5,805,384
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET OTHER SOURCES (USES) OF FINANCIAL RESOURCES	18,950	-	925	19,875
Lapsed appropriations	(57,379)	-	(925)	(58,304)
Fund Balance (Deficit) July 1, 2004	(1,263,678)	-	-	(1,263,678)
Fund Balance (Deficit) June 30, 2005	\$ (1,302,107)	\$ -	\$ -	\$ (1,302,107)

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ILLINOIS STATE BOARD OF EDUCATION

COMBINING INDIVIDUAL GOVERNMENTAL FUNDS - NONMAJOR FUNDS
BALANCE SHEET

AS OF JUNE 30, 2005

(amounts expressed in thousands)

	Special Revenue Funds				
	Teacher Certificate Fee Revolving Fund (016)	Drivers Education Fund (031)	State Board of Education State Trust Fund (110)	School District Emergency Financial Assistance Fund (130)	S.B.E. Teacher Certification Institute Fund (159)
ASSETS					
Cash and cash equivalents	\$ 3,188	\$ -	\$ -	\$ 2,131	\$ 476
Due from other government - federal	-	-	-	-	-
Due from other government - local	-	-	-	21	-
Other receivables	-	-	-	-	-
Due from other State funds	-	5	-	-	-
Due from component units of the State	-	-	-	-	-
Inventories	-	-	-	-	-
Loans receivable	-	-	-	4,874	-
Unexpended appropriation	-	-	-	-	-
TOTAL ASSETS	\$ 3,188	\$ 5	\$ -	\$ 7,026	\$ 476
LIABILITIES					
Accounts payable and accrued liabilities	\$ 30	\$ -	\$ -	\$ -	\$ -
Due to other government - federal	-	-	-	-	-
Due to other government - local	-	15,750	-	-	-
Due to other State funds	1	-	-	-	-
Due to component units of the State	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Other liabilities	-	-	-	-	-
TOTAL LIABILITIES	31	15,750	-	-	-
FUND BALANCE					
Reserved for:					
Encumbrances	-	-	-	-	-
Inventories	-	-	-	-	-
Long-term portion of loans receivable	-	-	-	4,261	-
Unreserved:					
Undesignated	3,157	(15,745)	-	2,765	476
TOTAL FUND BALANCE (DEFICIT)	3,157	(15,745)	-	7,026	476
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,188	\$ 5	\$ -	\$ 7,026	\$ 476

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMBINING INDIVIDUAL GOVERNMENTAL FUNDS - NONMAJOR FUNDS
BALANCE SHEET

AS OF JUNE 30, 2005

(amounts expressed in thousands)

	Special Revenue Funds				
	S.B.E. GED Testing Fund (161)	S.B.E. School Bus Driver Permit Fund (162)	S.B.E. Federal National Community Service Fund (183)	S.B.E. Department of Health and Human Serv. Fund (239)	S.B.E. Federal Dept. of Labor Trust Fund (392)
ASSETS					
Cash and cash equivalents	\$ 454	\$ -	\$ -	\$ -	\$ -
Due from other government - federal	-	-	-	-	-
Due from other government - local	-	-	-	-	-
Other receivables	-	-	-	-	-
Due from other State funds	-	-	-	-	-
Due from component units of the State	-	-	-	-	-
Inventories	-	-	-	-	-
Loans receivable	-	-	-	-	-
Unexpended appropriation	-	-	-	-	-
TOTAL ASSETS	\$ 454	\$ -	\$ -	\$ -	\$ -
LIABILITIES					
Accounts payable and accrued liabilities	\$ 19	\$ -	\$ -	\$ -	\$ -
Due to other government - federal	-	-	-	-	-
Due to other government - local	-	-	-	-	-
Due to other State funds	-	-	-	-	-
Due to component units of the State	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Other liabilities	-	-	-	-	-
TOTAL LIABILITIES	19	-	-	-	-
FUND BALANCE					
Reserved for:					
Encumbrances	-	-	-	-	-
Inventories	-	-	-	-	-
Long-term portion of loans receivable	-	-	-	-	-
Unreserved:					
Undesignated	435	-	-	-	-
TOTAL FUND BALANCE (DEFICIT)	435	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 454	\$ -	\$ -	\$ -	\$ -

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMBINING INDIVIDUAL GOVERNMENTAL FUNDS - NONMAJOR FUNDS
BALANCE SHEET

AS OF JUNE 30, 2005

(amounts expressed in thousands)

	Special Revenue Funds					
	S.B.E. Federal Dept. of Agriculture Fund (410)	School Technology Revolving Fund (544)	S.B.E. Federal Agency Service Fund (560)	S.B.E. Federal Dept. of Education Fund (561)	Charter Schools Revolving Loan Fund (567)	School Infrastructure Fund (568)
ASSETS						
Cash and cash equivalents	\$ 544	\$ 356	\$ -	\$ 1,698	\$ 1,880	\$ -
Due from other government - federal	36,546	-	625	164,748	-	-
Due from other government - local	-	-	-	-	-	-
Other receivables	93	-	-	-	-	-
Due from other State funds	43	-	6	528	-	-
Due from component units of the State	-	-	-	136	-	-
Inventories	1,869	-	-	-	-	-
Loans receivable	-	-	-	-	76	-
Unexpended appropriation	-	-	-	-	-	-
TOTAL ASSETS	\$ 39,095	\$ 356	\$ 631	\$ 167,110	\$ 1,956	\$ -
LIABILITIES						
Accounts payable and accrued liabilities	\$ 268	\$ -	\$ 2	\$ 2,703	\$ -	\$ -
Due to other government - federal	-	-	-	1,802	-	-
Due to other government - local	32,756	-	353	154,208	-	-
Due to other State funds	334	355	47	680	-	-
Due to component units of the State	93	-	24	363	-	-
Deferred revenue	3,267	-	-	6,302	-	-
Other liabilities	-	-	-	695	-	-
TOTAL LIABILITIES	36,718	355	426	166,753	-	-
FUND BALANCE						
Reserved for:						
Encumbrances	-	-	65	-	-	-
Inventories	1,869	-	-	-	-	-
Long-term portion of loans receivable	-	-	-	-	57	-
Unreserved:						
Undesignated	508	1	140	357	1,899	-
TOTAL FUND BALANCE (DEFICIT)	2,377	1	205	357	1,956	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 39,095	\$ 356	\$ 631	\$ 167,110	\$ 1,956	\$ -

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMBINING INDIVIDUAL GOVERNMENTAL FUNDS - NONMAJOR FUNDS
BALANCE SHEET

AS OF JUNE 30, 2005

(amounts expressed in thousands)

	Special Revenue Funds				Total
	School Technology Revolving Loan Program Fund (569)	Temporary Relocation Expenses Rev. Grant Fund (605)	Fund for Illinois' Future (611)	Nat'l Center for Education Statistics Fund (791)	
ASSETS					
Cash and cash equivalents	\$ 1,480	\$ 5	\$ -	\$ 160	\$ 12,372
Due from other government - federal	-	-	-	-	201,919
Due from other government - local	-	-	-	-	21
Other receivables	38	-	-	-	131
Due from other State funds	355	-	-	-	937
Due from component units of the State	-	-	-	-	136
Inventories	-	-	-	-	1,869
Loans receivable	4,633	896	-	-	10,479
Unexpended appropriation	-	-	-	-	-
TOTAL ASSETS	\$ 6,506	\$ 901	\$ -	\$ 160	227,864
LIABILITIES					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 3,022
Due to other government - federal	-	-	-	-	1,802
Due to other government - local	-	-	-	-	203,067
Due to other State funds	-	-	-	-	1,417
Due to component units of the State	-	-	-	-	480
Deferred revenue	-	-	-	160	9,729
Other liabilities	-	-	-	-	695
TOTAL LIABILITIES	-	-	-	160	220,212
FUND BALANCE					
Reserved for:					
Encumbrances	-	-	-	-	65
Inventories	-	-	-	-	1,869
Long-term portion of loans receivable	1,378	631	-	-	6,327
Unreserved:					
Undesignated	5,128	270	-	-	(609)
TOTAL FUND BALANCE (DEFICIT)	6,506	901	-	-	7,652
TOTAL LIABILITIES AND FUND BALANCE	\$ 6,506	\$ 901	\$ -	\$ 160	\$227,864

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMBINING INDIVIDUAL GOVERNMENTAL FUNDS-NONMAJOR FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2005

(amounts expressed in thousands)

	Special Revenue Funds				
	Teacher Certificate Fee Revolving Fund (016)	Drivers Education Fund (031)	State Board of Education State Trust Fund (110)	School District Emergency Financial Assistance Fund (130)	S.B.E. Teacher Certification Institute Fund (159)
REVENUES					
Federal government	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and fees	1,522	-	-	-	185
Interest	-	-	-	32	-
Other revenues	-	-	-	-	15
Refunds	-	-	-	-	-
Total Revenues	1,522	-	-	32	200
EXPENDITURES					
Education	1,375	15,779	1	-	-
Capital outlay	-	-	-	-	-
Total Expenditures	1,375	15,779	1	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	147	(15,779)	(1)	32	200
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Appropriations from State resources	-	15,830	-	-	-
Reappropriation to fiscal year 2006	-	-	-	-	-
Net change in liabilities for reappropriated accounts	-	-	-	-	-
Operating transfers-in	-	-	-	-	-
Operating transfers-out	-	-	(44)	-	-
Receipts remitted to the State Treasury	-	-	-	-	-
OTHER SOURCES (USES) OF FINANCIAL RESOURCES	-	15,830	(44)	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES) OF FINANCIAL RESOURCES	147	51	(45)	32	200
Lapsed appropriations	-	(46)	-	-	-
Fund Balance (Deficit) July 1, 2004	3,010	(15,750)	45	6,994	276
Fund Balance (Deficit) June 30, 2005	\$ 3,157	\$ (15,745)	\$ -	\$ 7,026	\$ 476

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMBINING INDIVIDUAL GOVERNMENTAL FUNDS-NONMAJOR FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2005

(amounts expressed in thousands)

	Special Revenue Funds				
	S.B.E. GED. Testing Fund (161)	S.B.E. School Bus Driver Permit Fund (162)	S.B.E. Federal National Community Service Fund (183)	S.B.E. Department of Health and Human Serv. Fund (239)	S.B.E. Federal Dept. of Labor Trust Fund (392)
REVENUES					
Federal government	\$ -	\$ -	\$ 7	\$ 125	\$ 34
Licenses and fees	403	-	-	-	-
Interest	-	-	-	-	-
Other revenues	-	-	-	-	-
Refunds	-	-	-	-	-
Total Revenues	403	-	7	125	34
EXPENDITURES					
Education	422	-	7	125	34
Capital outlay	-	-	-	-	-
Total Expenditures	422	-	7	125	34
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(19)	-	-	-	-
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Appropriations from State resources	-	-	-	-	-
Reappropriation to fiscal year 2006	-	-	-	-	-
Net change in liabilities for reappropriated accounts	-	-	-	-	-
Operating transfers-in	-	-	-	-	-
Operating transfers-out	-	-	-	-	-
Receipts remitted to the State Treasury	-	-	-	-	-
OTHER SOURCES (USES) OF FINANCIAL RESOURCES	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES) OF FINANCIAL RESOURCES	(19)	-	-	-	-
Lapsed appropriations	-	-	-	-	-
Fund Balance (Deficit) July 1, 2004	454	-	-	-	-
Fund Balance (Deficit) June 30, 2005	\$ 435	\$ -	\$ -	\$ -	\$ -

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMBINING INDIVIDUAL GOVERNMENTAL FUNDS-NONMAJOR FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2005

(amounts expressed in thousands)

	Special Revenue Funds					
	S.B.E. Federal Dept. of Agriculture Fund (410)	School Technology Revolving Fund (544)	S.B.E. Federal Agency Services Fund (560)	S.B.E. Federal Dept. of Education Fund (561)	Charter Schools Revolving Loan Fund (567)	School Infrastructure Fund (568)
REVENUES						
Federal government	\$ 477,076	\$ -	\$ 2,138	\$ 1,355,009	\$ -	\$ -
Licenses and fees	-	1	-	-	-	-
Interest	-	-	-	-	-	-
Other revenues	23	-	-	-	-	-
Refunds	-	-	-	-	-	-
Total Revenues	477,099	1	2,138	1,355,009	-	-
EXPENDITURES						
Education	472,917	69	1,933	1,343,961	-	35
Capital outlay	20	-	-	70	-	-
Total Expenditures	472,937	69	1,933	1,344,031	-	35
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,162	(68)	205	10,978	-	(35)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	-	-	93
Reappropriation to fiscal year 2006	-	-	-	-	-	-
Net change in liabilities for reappropriated accounts	-	-	-	-	-	-
Operating transfers-in	-	-	-	-	-	-
Operating transfers-out	-	-	-	-	-	-
Receipts remitted to the State Treasury	-	-	-	-	-	(49)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES	-	-	-	-	-	44
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES) OF FINANCIAL RESOURCES	4,162	(68)	205	10,978	-	9
Lapsed appropriations	-	-	-	-	-	(9)
Fund Balance (Deficit) July 1, 2004	(1,785)	69	-	(10,621)	1,956	-
Fund Balance (Deficit) June 30, 2005	\$ 2,377	\$ 1	\$ 205	\$ 357	\$ 1,956	\$ -

**STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION**

**COMBINING INDIVIDUAL GOVERNMENTAL FUNDS-NONMAJOR FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

FOR THE YEAR ENDED JUNE 30, 2005

(amounts expressed in thousands)

	Special Revenue Funds				Total
	School Technology Revolving Loan Program Fund (569)	Temporary Relocation Expenses Rev. Grant Fund (605)	Fund for Illinois' Future (611)	Nat'l Center for Education Statistics Fund (791)	
REVENUES					
Federal government	\$ -	\$ -	\$ -	\$ -	\$ 1,834,389
Licenses and fees	-	-	-	-	2,111
Interest	488	-	-	-	520
Other revenues	195	-	-	-	233
Refunds	-	-	37	-	37
Total Revenues	683	-	37	-	1,837,290
EXPENDITURES					
Education	279	263	-	169	1,837,369
Capital outlay	-	-	-	-	90
Total Expenditures	279	263	-	169	1,837,459
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	404	(263)	37	(169)	(169)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Appropriations from State resources	-	-	-	-	15,923
Reappropriation to fiscal year 2006	-	-	-	-	-
Net change in liabilities for reappropriated accounts	-	-	-	-	-
Operating transfers-in	-	400	-	-	400
Operating transfers-out	(50,361)	-	-	-	(50,405)
Receipts remitted to the State Treasury	-	-	(37)	-	(86)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES	(50,361)	400	(37)	-	(34,168)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES) OF FINANCIAL RESOURCES	(49,957)	137	-	(169)	(34,337)
Lapsed appropriations	-	-	-	-	(55)
Fund Balance (Deficit) July 1, 2004	56,463	764	-	169	42,044
Fund Balance (Deficit) June 30, 2005	\$ 6,506	\$ 901	\$ -	\$ -	\$ 7,652

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

Fiscal Schedules and Analysis:

- Schedule of Expenditures of Federal Awards
- Notes to the Schedule of Expenditures of Federal Awards
- Schedule of Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Operating Expenditures by Expenditure Type
- Schedule of Changes in State Property
- Comparative Schedule of Cash Receipts
- Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
- Comparative Schedule of Distributive Expenditures by Fund
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Variations in Receipts
- Analysis of Significant Lapse Period Spending
- Analysis of Significant Account Balances
- Analysis of Accounts Receivable
- Schedule of Indirect Cost Reimbursements (Unaudited)

Analysis of Operations:

- Agency Functions and Planning Program
- Average Number of Employees and Average Salary Per Employee (Unaudited)
- Annual Statistics – Summary of Demographic Data (Unaudited)
- Service Efforts and Accomplishments (Unaudited)
- Emergency Purchases
- Illinois First Projects

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

(amounts expressed in thousands)

	Federal CFDA Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Defense			
Troops to Teachers	N/A	113	-
U.S. Department of Agriculture			
Food Distribution Program	10.550	36,028	35,766
School Breakfast Program	10.553	48,144	47,241
National School Lunch Program	10.555	283,020	281,374
Special Milk Program for Children	10.556	3,353	3,353
Child and Adult Care Food Program	10.558	91,224	90,072
Summer Food Service Program for Children	10.559	8,329	8,055
State Administrative Expenses for Child Nutrition	10.560	4,954	555
Team Nutrition Grant	10.574	262	261
		<u>475,314</u>	<u>466,677</u>
U.S. Department of Labor			
Youth Opportunity Grants	17.263	731	601
U.S. Department of Education			
Title I Grants to Local Educational Agencies	84.010	532,353	527,838
Migrant Education - State Grant Program	84.011	1,966	1,944
Title I Program for Neglected and Delinquent Children	84.013	2,062	-
Special Education - Grants to States	84.027	453,058	441,198
Vocational Education - Basic Grants to States	84.048	44,814	26,095
Migrant Education - Coordination Program	84.144	68	61
Special Education - Preschool Grants	84.173	18,154	17,209
Safe and Drug Free Schools and Communities - National Programs	84.184	409	409
Safe and Drug-Free Schools and Communities - State Grants	84.186	14,264	13,732
Education for the Homeless Children and Youth	84.196	2,683	2,543
Even Start - State Educational Agencies	84.213	10,006	9,768
Fund For Improvement of Education	84.215	2,398	1,803
Tech-Prep Education	84.243	4,174	-
Eisenhower Professional Development - State Grant	84.281	1	-
Charter Schools	84.282	1,996	1,919
21st Century Community Learning	84.287	38,996	38,673
State Grants For Innovative Programs	84.298	13,599	13,104
Education Technology State Grants	84.318	26,400	25,873
Special Education - State Personnel Development	84.323	1,655	1,527

The accompanying notes to schedule of expenditures of federal awards are an integral part of this schedule.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

(amounts expressed in thousands)

	Federal CFDA Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Education (Continued)			
Research in Special Education	84.324	82	82
Special Education-Technical Assistance and Dissemination to Improve Services and Results with Children with Disabilities	84.326C	296	296
Special Education-Technical Assistance and Dissemination to Improve Services and Results with Children with Disabilities	84.326X	149	-
Advanced Placement Program	84.330	722	584
Comprehensive School Reform Demonstration	84.332	13,595	13,403
Title II Reading Excellence Program	84.338	5	-
Transition to Teaching	84.350	326	321
Title VI Renovation/Special Education/Technology School Renovation	84.352	1,313	1,313
Reading First State Grants	84.357	37,227	36,009
Rural Education Achievement	84.358	759	720
English Language Acquisition Grants	84.365	25,508	24,611
Mathematics/Science Partnership	84.366	4,128	3,087
Improving Teacher Quality State Grant	84.367	116,865	115,719
State Assessment and Related Activities	84.369	12,750	-
		<u>1,382,781</u>	<u>1,319,841</u>
Total U.S. Department of Education			
U.S. Department of Health and Human Services			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	\$ 203	\$ -
Refugee and Entrant Assistance Discretionary Grants	93.576	749	330
		<u>952</u>	<u>330</u>
Total U.S. Department of Health and Human Services			
Corporation of National and Community Service			
Learn and Serve America Schools and Community Based Programs	94.004	817	776
		<u>817</u>	<u>776</u>
Total All Federal Programs			
		<u>\$ 1,860,708</u>	<u>\$ 1,788,225</u>

The accompanying notes to schedule of expenditures of federal awards are an integral part of this schedule.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2005

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards present the federal award programs administered by the Illinois State Board of Education. The reporting entity for the Illinois State Board of Education is defined in Note 2 of the notes to the Agency's financial statements. The Schedule of Expenditures of Federal Awards includes the expenditure of awards received directly from federal agencies. There were no pass through federal awards received.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. Expenditures for the Food Distribution Program (CFDA #10.550) represent the value of donated commodities received from the U.S. Department of Agriculture (USDA) and made available to approved sponsors of other federally funded meal programs. The commodities were valued based on USDA price lists.

3. INDIRECT COSTS

The Agency may claim indirect cost reimbursements for all of its federal award programs. The indirect cost rate established with the U.S. Department of Education for allocating indirect costs to federal award programs is 19.3 percent of allowable costs allocated to each federal award administered by the Agency.

4. DESCRIPTION OF MATERIAL FEDERAL AWARD PROGRAMS

The following is a brief description of the material programs included in the Schedule of Expenditures of Federal Awards:

A. U.S. DEPARTMENT OF AGRICULTURE

The Agency accounted for the revenues and expenditures incurred in the administration of all U.S. Department of Agriculture awards in the S.B.E. Federal Department of Agriculture Fund (410). Following are the major awards received:

- **School Breakfast Program (CFDA #10.553); National School Lunch Program (CFDA #10.555); Special Milk Program for Children (CFDA #10.556); and Summer Food Service Program for Children (CFDA #10.559)**

The purpose of these programs is to provide reimbursements to approved program sponsors for a portion of the cost of providing nutritious meals to eligible children and adults and encourage the consumption of fluid milk by children enrolled in schools or half-day kindergartens where they do not have access to other federally funded meal programs.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

- **Food Distribution Program (CFDA #10.550)**
This program makes agricultural commodities available to approved sponsors of other federally funded meal programs as a supplement to cash grants. The Agency recorded the value of donated commodities received from USDA as revenues and expenditures in its financial statements for the year ended June 30, 2004.
- **Child and Adult Care Food Program (CFDA #10.558)**
The purpose of this program is to provide reimbursements to approved program sponsors for a portion of the cost of providing nutritious meals to eligible children and adults where they do not have access to other federally funded meal programs.
- **State Administrative Expenses for Child Nutrition (CFDA #10.560)**
This program provides funds to State Agencies for administrative expenses incurred in supervising and providing technical support to approved sponsors of child nutrition programs.

B. U.S. DEPARTMENT OF EDUCATION

The Agency accounted for the revenues and expenditures incurred in the administration of all U.S. Department of Education awards in the S.B.E. Federal Department of Education Fund (561). Following are the major awards received:

- **Title I Grants to Local Educational Agencies (CFDA #84.010)**
The purpose of this program is to help local education agencies and schools improve the teaching and learning of children failing, or most at-risk of failing to meet challenging State academic standards.
- **Title I Program for Neglected and Delinquent Children (CFDA #84.013)**
The purpose of this program is to provide educational services to children in local and State institutions (Department of Corrections) for neglected and delinquent children and youth so that they meet the same State standards as other students and transition from institutionalization to further schooling and employment.
- **Special Education - Grants to States (CFDA #84.027)**
The purpose of this program is to provide grants to States to assist them in providing a free appropriate public education to all children with disabilities.
- **Vocational Education - Basic Grants to States (CFDA #84.048)**
The purpose of this program is to assist States and outlying areas to expand and improve their programs of vocational education and provide equal access in vocational education to special needs populations.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

- **Special Education - Preschool Grants (CFDA #84.173)**
The purpose of this program is to provide grants to States to assist them in providing a free appropriate public education to preschool disabled children aged three through five years.
- **Safe & Drug-Free Schools and Communities - State Grants (CFDA #84.186)**
The purpose of this program is to support the national education goal that every school in the United States will be free of drugs, violence, firearms and alcohol, and will offer a disciplined environment conducive to learning.
- **Education for the Homeless Children and Youth (CFDA #84.196)**
The purpose of this program is to address the problems that homeless children and youth face in enrolling, attending, and succeeding in school. The program seeks to ensure that homeless children and youth have equal access to the same free, appropriate public education as provided to other children and youth.
- **Even Start - State Educational Agencies (CFDA #84.213)**
The purpose of this program is to help break the cycle of poverty and illiteracy and improve the educational opportunities of low-income families by integrating early childhood education, adult literacy or adult basic education and parenting education into a unified family literacy program.
- **Improvement of Education (CFDA #84.215)**
The purpose of this program is to conduct nationally significant programs to improve the quality of education, assist all students to meet challenging State content standards, and contribute to the achievement of elementary and secondary students.
- **Tech-Prep Education (CFDA #84.243)**
The purpose of this program is to distribute funds to States to enable them to provide planning and demonstration grants to consortia of local education agencies and postsecondary education agencies for the development and operation of four-year programs designed to provide a tech-prep education program leading to a two-year associate degree or a two-year certificate and to provide, in a systematic manner, strong, comprehensive links between secondary schools and postsecondary educational institutions.
- **21st Century Community Learning (CFDA #84.287)**
The purpose of this program is to provide academically focused after-school programs, particularly to students who attend high-poverty, low performing schools, to help those students meet State and local performance standards in core academic subjects, and to offer families of participating students and opportunities for literacy and related and educational development.
- **State Grants for Innovative Program (CFDA #84.298)**
The purpose of this program is to assist State and local educational agencies in the reform of elementary and secondary education.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

- **Technology Literacy Challenge Fund Grants (CFDA #84.318)**
The purpose of this program is to provide grants to State educational agencies on a formula basis to support the development and implementation of systematic technology plans at the State, local and school levels to improve the teaching and learning of all children.
- **Comprehensive School Reform Demonstration (CFDA #84.332)**
The purpose of this program is to improve public education by pursuing comprehensive school reform as part of a district-wide school improvement strategy. Schools, working with their central offices, teachers and parents, develop a comprehensive school reform model based on reliable research and effective practices that fit their students' needs to achieve the Illinois Learning Standards.
- **Title II Reading Excellence Program (CFDA #84.338)**
The purpose of the Reading Excellence Program is to provide early literacy intervention for students K-3. Participating schools will develop and implement early intervention programs based on relevant reading research. In addition, family literacy and early childhood activities will be provided as part of this program.
- **Title I Accountability (CFDA #84.348)**
There were refunds of \$43,000 received by the Agency for this program during fiscal year 2005. This program is not an active program.
- **Title VI Renovation/Special Education/Technology (CFDA #84.352)**
The purpose of this program is to provide funds for school repair and renovation, activities under Part B of the Individuals with Disabilities Act (IDEA), and technology activities that are carried out in connection with school repair and renovation.
- **Reading First State Grants (CFDA #84.357)**
The purpose of this program is to use research-based instructional methods to see that students, K - 3, in qualifying districts and schools learn to read well by grade 3; and to see that teachers in qualifying districts and schools develop and use reading teaching strategies that have foundations in effective, relevant research.
- **English Language Acquisition (CFDA #84.365)**
The purpose of this program is to assist school districts in teaching English to limited-English-proficient students and in helping these students meet the same challenging State standards required of all other students.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

- **Improving Teacher Quality State Grants (CFDA #84.367)**
The purpose of this program is to provide grants to State educational agencies, local educational agencies, State agencies for higher education, and eligible partnerships in order to: increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools; and hold educational agencies and schools accountable for improvements in student academic achievement.

- **Title VI State Assessments (CFDA #84.369)**
The purpose of this program is to develop and implement additional assessments for grades 4, 6, and 7 in reading and mathematics, as required by the No Child Left Behind (NCLB) Act. This program is to provide the States with funding for the cost of developing the additional assessments and standards being required. These funds are then to be utilized to develop, refine, expand, improve and ensure continued validity and reliability of the State assessment program. The major emphasis of the funds is to improve classroom teacher knowledge and skills on assessment in addition to assessment development.

5. NON-CASH AWARDS

All known non-cash awards are presented on the face of the Schedule of Expenditures of Federal Awards.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2005

	Appropriations (Net of Transfers) (1)	Expenditures through June 30, 2005 (2)	Lapse Period Expenditures (July-August) (2)	Total Expenditures (2)	Balances Reappropriated July 1, 2005	Lapsed Balances (2)
<i>GENERAL REVENUE FUND - 001</i>						
Personal Services	\$ 15,682,950	\$ 15,634,631	\$ 18,304	\$ 15,652,935	\$ -	\$ 30,015
Employee Retirement Contribution						
Paid by the State	48,738	48,727	-	48,727	-	11
State Employees'/Teachers' Retirement	911,725	860,658	28	860,686	-	51,039
Social Security	564,625	469,854	13	469,867	-	94,758
Contractual Services	14,875,800	11,338,945	2,501,320	13,840,265	-	1,035,535
Travel	313,700	215,953	61,177	277,130	-	36,570
Commodities	62,000	31,638	4,698	36,336	-	25,664
Printing	85,200	8,875	-	8,875	-	76,325
Equipment	70,900	63,304	2,595	65,899	-	5,001
Telecommunications	476,800	231,989	61,184	293,173	-	183,627
Operation of Automotive Equipment	12,800	7,440	4,468	11,908	-	892
Interfund Cash Transfers	400,000	400,000	-	400,000	-	-
Lump Sum and Other Purposes	972,700	884,577	69,337	953,914	-	18,786
Awards and Grants	2,084,509,101	1,965,720,675	62,960,934	2,028,681,609	7,455	55,820,037
Total General Revenue Fund	2,118,987,039	1,995,917,266	65,684,058	2,061,601,324	7,455	57,378,260
<i>EDUCATION ASSISTANCE FUND - 007</i>						
Awards and Grants	731,900,000	731,900,000	-	731,900,000	-	-

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2005

	Appropriations (Net of Transfers) (1)	Expenditures through June 30, 2005 (2)	Lapse Period Expenditures (July-August) (2)	Total Expenditures (2)	Balances Reappropriated July 1, 2005	Lapsed Balances (2)
<i>TEACHER CERTIFICATE FEE REVOLVING</i>						
<i>FUND - 016</i>						
Personal Services	\$ 75,000	\$ 68,915	\$ -	\$ 68,915	\$ -	\$ 6,085
Employee Retirement Contribution						
Paid by the State	3,000	2,757	-	2,757	-	243
State Employees'/Teachers' Retirement	8,300	7,941	-	7,941	-	359
Social Security	4,150	965	-	965	-	3,185
Group Insurance	13,550	13,525	-	13,525	-	25
Lump Sum and Other Purposes	1,399,000	1,247,198	30,338	1,277,536	-	121,464
Total Teacher Certificate Fee Revolving Fund	1,503,000	1,341,301	30,338	1,371,639	-	131,361
<i>DRIVERS EDUCATION FUND - 031</i>						
Personal Services	57,300	43,628	-	43,628	-	13,672
Employee Retirement Contribution						
Paid by the State	1,900	1,745	-	1,745	-	155
State Employees'/Teachers' Retirement	2,300	263	-	263	-	2,037
Social Security	4,200	597	-	597	-	3,603
Group Insurance	15,000	14,754	-	14,754	-	246
Awards and Grants	15,750,000	15,723,241	-	15,723,241	-	26,759
Total Drivers Education Fund	15,830,700	15,784,228	-	15,784,228	-	46,472

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2005

	Appropriations (Net of Transfers) (1)	Expenditures through June 30, 2005 (2)	Lapse Period Expenditures (July-August) (2)	Total Expenditures (2)	Balances Reappropriated July 1, 2005	Lapsed Balances (2)
<i>SCHOOL DISTRICT EMERGENCY FINANCIAL ASSISTANCE FUND - 130</i>						
Awards and Grants	\$ 5,333,000	\$ -	\$ -	\$ -	\$ -	\$ 5,333,000
<i>SBE TEACHER CERTIFICATION INSTITUTE FUND - 159</i>						
Lump Sum and Other Purposes	125,000	52	-	52	-	124,948
<i>SBE GED TESTING FUND - 161</i>						
Lump Sum and Other Purposes	800,000	404,325	19,101	423,426	-	376,574
<i>SBE SCHOOL BUS DRIVER PERMIT FUND - 162</i>						
Lump Sum and Other Purposes	12,000	-	-	-	-	12,000

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2005

	Appropriations (Net of Transfers) (1)	Expenditures through June 30, 2005 (2)	Lapse Period Expenditures (July-August) (2)	Total Expenditures (2)	Balances Reappropriated July 1, 2005	Lapsed Balances (2)
<i>SBE FEDERAL NATIONAL COMMUNITY</i>						
<i>SERVICE FUND - 183</i>						
Personal Services	\$ 6,265	\$ 6,265	\$ -	\$ 6,265	\$ -	\$ -
Employee Retirement Contribution						
Paid by the State	251	251	-	251	-	-
State Employees'/Teachers' Retirement	722	722	-	722	-	-
Group Insurance	1,377	1,376	-	1,376	-	1
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total SBE Federal National Community Service Fund	8,615	8,614	-	8,614	-	1
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>SBE DEPARTMENT OF HEALTH AND HUMAN</i>						
<i>SERVICES FUND - 239</i>						
Personal Services	6,070	6,070	-	6,070	-	-
Employee Retirement Contribution						
Paid by the State	243	243	-	243	-	-
State Employees'/Teachers' Retirement	700	699	-	699	-	1
Social Security	86	86	-	86	-	-
Group Insurance	1,230	1,230	-	1,230	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total SBE Department of Health and Human Services Fund	8,329	8,328	-	8,328	-	1
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2005

	Appropriations (Net of Transfers) (1)	Expenditures through June 30, 2005 (2)	Lapse Period Expenditures (July-August) (2)	Total Expenditures (2)	Balances Reappropriated July 1, 2005	Lapsed Balances (2)
<i>SBE FEDERAL DEPARTMENT OF AGRICULTURE</i>						
<i>FUND - 410</i>						
Personal Services	\$ 3,670,700	\$ 3,093,023	\$ -	\$ 3,093,023	\$ -	\$ 577,677
Employee Retirement Contribution						
Paid by the State	145,700	118,739		118,739	-	26,961
State Employees'/Teachers' Retirement	449,200	392,573		392,573	-	56,627
Social Security	153,700	86,327		86,327	-	67,373
Group Insurance	742,000	670,873		670,873	-	71,127
Contractual Services	2,839,400	875,210	224,382	1,099,592	-	1,739,808
Travel	370,000	212,331	34,280	246,611	-	123,389
Commodities	75,000	18,157	246	18,403	-	56,597
Printing	150,000	26,367	545	26,912	-	123,088
Equipment	60,000	25,752	-	25,752	-	34,248
Telecommunications	75,000	35,861	10,535	46,396	-	28,604
Awards and Grants	450,000,000	400,583,755	33,142,540	433,726,295	-	16,273,705
Total SBE Federal Department of Agriculture Fund	<u>458,730,700</u>	<u>406,138,968</u>	<u>33,412,528</u>	<u>439,551,496</u>	<u>-</u>	<u>19,179,204</u>
<i>COMMON SCHOOL FUND - 412</i>						
Awards and Grants	<u>2,958,451,200</u>	<u>2,957,519,856</u>	<u>5,566</u>	<u>2,957,525,422</u>	<u>-</u>	<u>925,778</u>

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SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2005

	Appropriations (Net of Transfers) (1)	Expenditures through June 30, 2005 (2)	Lapse Period Expenditures (July-August) (2)	Total Expenditures (2)	Balances Reappropriated July 1, 2005	Lapsed Balances (2)
<i>SCHOOL TECHNOLOGY REVOLVING</i>						
<i>FUND - 544</i>						
Awards and Grants	\$ 125,000	\$ 69,406	\$ -	\$ 69,406	\$ -	\$ 55,594
<i>SBE FEDERAL AGENCY SERVICES</i>						
<i>FUND- 560</i>						
Personal Services	245,500	128,933	-	128,933	-	116,567
Employee Retirement Contribution						
Paid by the State	11,775	5,159	-	5,159	-	6,616
State Employees'/Teachers' Retirement	27,075	16,117	-	16,117	-	10,958
Social Security	13,400	3,026	-	3,026	-	10,374
Group Insurance	50,150	23,795	-	23,795	-	26,355
Contractual Services	847,000	65,652	24,885	90,537	-	756,463
Travel	122,000	8,208	2,175	10,383	-	111,617
Commodities	22,500	-	-	-	-	22,500
Printing	13,000	2,906	-	2,906	-	10,094
Equipment	11,000	-	-	-	-	11,000
Telecommunications	18,000	5,991	-	5,991	-	12,009
Awards and Grants	8,000,000	1,819,202	392,732	2,211,934	-	5,788,066
Total SBE Federal Agency Services Fund	9,381,400	2,078,989	419,792	2,498,781	-	6,882,619

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SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2005

	Appropriations (Net of Transfers) (1)	Expenditures through June 30, 2005 (2)	Lapse Period Expenditures (July-August) (2)	Total Expenditures (2)	Balances Reappropriated July 1, 2005	Lapsed Balances (2)
<i>SBE FEDERAL DEPARTMENT OF EDUCATION</i>						
<i>FUND - 561</i>						
Personal Services	\$ 12,524,800	\$ 11,018,885	\$ -	\$ 11,018,885	\$ -	\$ 1,505,915
Employee Retirement Contribution						
Paid by the State	474,550	426,320	114	426,434	-	48,116
State Employees'/Teachers' Retirement	1,558,050	1,394,046	328	1,394,374	-	163,676
Social Security	878,650	309,228	-	309,228	-	569,422
Group Insurance	2,341,150	2,081,997	1,378	2,083,375	-	257,775
Contractual Services	43,012,400	15,796,589	2,496,506	18,293,095	-	24,719,305
Travel	1,387,500	550,926	111,046	661,972	-	725,528
Commodities	440,600	86,643	7,306	93,949	-	346,651
Printing	609,000	-	192	192	-	608,808
Equipment	383,500	80,552	19,340	99,892	-	283,608
Telecommunications	612,500	106,015	23,618	129,633	-	482,867
Lump Sum and Other Purposes	-	-	-	-	-	-
Awards and Grants	1,686,980,000	1,173,788,010	155,783,035	1,329,571,045	-	357,408,955
Total SBE Federal Department of Education Fund	1,751,202,700	1,205,639,211	158,442,863	1,364,082,074	-	387,120,626
<i>CHARTER SCHOOLS REVOLVING LOAN</i>						
<i>FUND - 567</i>						
Awards and Grants	20,000	20,000	-	20,000	-	-

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SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2005

	Appropriations (Net of Transfers) (1)	Expenditures through June 30, 2005 (2)	Lapse Period Expenditures (July-August) (2)	Total Expenditures (2)	Balances Reappropriated July 1, 2005	Lapsed Balances (2)
<i>SCHOOL INFRASTRUCTURE FUND - 568</i>						
Personal Services	\$ 69,900	\$ 66,203	\$ -	\$ 66,203	\$ -	\$ 3,697
Employee Retirement Contribution						
Paid by the State	3,000	2,648		2,648	-	352
State Employees'/Teachers' Retirement	2,800	399		399	-	2,401
Social Security	3,750	934		934	-	2,816
Group Insurance	13,550	13,525		13,525	-	25
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total School Infrastructure Fund	93,000	83,709	-	83,709	-	9,291
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>SCHOOL TECHNOLOGY REVOLVING LOAN PROGRAM FUND - 569</i>						
Awards and Grants	7,000,000	-	-	-	-	7,000,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>TEMPORARY RELOCATION EXPENSES REVOLVING GRANT FUND - 605</i>						
Awards and Grants	1,000,000	818,374	-	818,374	-	181,626
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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ILLINOIS STATE BOARD OF EDUCATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31, 2005

	Appropriations (Net of Transfers) (1)	Expenditures through June 30, 2005 (2)	Lapse Period Expenditures (July-August) (2)	Total Expenditures (2)	Balances Reappropriated July 1, 2005	Lapsed Balances (2)
<i>NATIONAL CENTER FOR EDUCATION</i>						
<i>STATISTICS FUND - 791</i>						
Personal Services	\$ 5,524	\$ 5,524	\$ -	\$ 5,524	\$ -	\$ -
Employee Retirement Contribution						
Paid by the State	222	221	-	221	-	1
State Employees/Teachers' Retirement	1,128	890	-	890	-	238
Social Security	420	419	-	419	-	1
Group Insurance	753	753	-	753	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total National Center for Education Statistics Fund	8,047	7,807	-	7,807	-	240
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total All Appropriated Funds	8,060,519,730	7,317,740,434	258,014,246	7,575,754,680	7,455	484,757,595
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>NONAPPROPRIATED FUNDS</i>						
Refunds						
<i>SBE FEDERAL NATIONAL COMMUNITY SERVICE</i>						
<i>FUND 183</i>	-	24,717	-	24,717	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>SCHOOL TECHNOLOGY REVOLVING LOAN</i>						
<i>PROGRAM FUND - 569</i>						
Loans	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Nonappropriated Funds	-	24,717	-	24,717	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total All Funds	\$ 8,060,519,730	\$ 7,317,765,151	\$ 258,014,246	\$ 7,575,779,397	\$ 7,455	\$ 484,757,595
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

(1) Public Acts 93-0681, 93-0842, 93-1070.

(2) The data was taken directly from Agency records which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	2005	2004
<i>GENERAL REVENUE FUND - 001</i>		
Appropriations (Net of Transfers)	\$ 2,118,987,039	\$ 2,055,416,750
Expenditures		
Personal Services	15,652,935	12,818,945
Employee Retirement Contribution		
Paid by the State	48,727	529,635
State Employees'/Teachers' Retirement	860,686	498,136
Social Security	469,867	424,865
Contractual Services	13,840,265	1,475,044
Travel	277,130	115,366
Commodities	36,336	31,565
Printing	8,875	9,716
Equipment	65,899	48,691
Telecommunications	293,173	215,694
Operation of Automotive Equipment	11,908	18,915
Lump Sum and Other Purposes	953,914	81,446,445
Awards and Grants	2,028,681,609	1,919,570,419
Interfund Transfers	400,000	-
Total Expenditures	2,061,601,324	2,017,203,436
Reappropriated to next fiscal year	7,455	26,320,886
Lapsed Balances	57,378,260	11,892,428
<i>EDUCATION ASSISTANCE FUND - 007</i>		
Appropriations (Net of Transfers)	731,900,000	681,900,000
Expenditures		
Awards and Grants	731,900,000	681,900,000
Lapsed Balances	-	-

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

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AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	2005	2004
<i>TEACHER CERTIFICATION FEE REVOLVING FUND - 016</i>		
Appropriations (Net of Transfers)	\$ 1,503,000	\$ 1,500,000
Expenditures		
Personal Services	68,915	-
Employee Retirement Contribution		
Paid by the State	2,757	-
State Employees'/Teachers' Retirement	7,941	-
Social Security	965	-
Group Insurance	13,525	-
Lump Sum and Other Purposes	1,277,536	546,848
Total Expenditures	1,371,639	546,848
Lapsed Balances	131,361	953,152
<i>DRIVERS EDUCATION FUND - 031</i>		
Appropriations (Net of Transfers)	15,830,700	15,900,000
Expenditures		
Personal Services	43,628	50,977
Employee Retirement Contribution		
Paid by the State	1,745	2,013
State Employees'/Teachers' Retirement	263	529
Social Security	597	796
Group Insurance	14,754	8,140
Contractual Services	-	50,000
Travel	-	488
Commodities	-	12
Printing	-	1,625
Telecommunications	-	815
Awards and Grants	15,723,241	15,746,585
Total Expenditures	15,784,228	15,861,980
Lapsed Balances	46,472	38,020

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COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	2005	2004
<i>SCHOOL DISTRICT EMERGENCY FINANCIAL ASSISTANCE FUND - 130</i>		
Appropriations (Net of Transfers)	\$ 5,333,000	\$ 5,333,000
Expenditures		
Awards and Grants	-	312,500
Lapsed Balances	5,333,000	5,020,500
<i>SBE TEACHER CERTIFICATION INSTITUTE FUND - 159</i>		
Appropriations (Net of Transfers)	125,000	125,000
Expenditures		
Lump Sum and Other Purposes	52	-
Lapsed Balances	124,948	125,000
<i>SBE G.E.D. TESTING FUND - 161</i>		
Appropriations (Net of Transfers)	800,000	1,000,000
Expenditures		
Lump Sum and Other Purposes	423,426	385,365
Lapsed Balances	376,574	614,635

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COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	2005	2004
<i>SBE SCHOOL BUS DRIVER PERMIT FUND - 162</i>		
Appropriations (Net of Transfers)	\$ 12,000	\$ 12,000
Expenditures		
Lump Sum and Other Purposes	-	1,996
Lapsed Balances	12,000	10,004
<i>SBE FEDERAL NATIONAL COMMUNITY SERVICE FUND - 183</i>		
Appropriations (Net of Transfers)	8,615	2,061,500
Expenditures		
Personal Services	6,265	27,913
Employee Retirement Contribution		
Paid by the State	251	1,117
State Employees'/Teachers' Retirement	722	3,217
Group Insurance	1,376	3,937
Contractual Services	-	700
Travel	-	1,578
Telecommunications	-	574
Awards and Grants	-	815,499
Total Expenditures	8,614	854,535
Lapsed Balances	1	1,206,965

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AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	<u>2005</u>	<u>2004</u>
<i>SBE DEPARTMENT OF HEALTH AND HUMAN SERVICES FUND - 239</i>		
Appropriations (Net of Transfers)	\$ 8,329	\$ 3,739,500
Expenditures		
Personal Services	6,070	136,674
Employee Retirement Contribution Paid by the State	243	5,470
State Employees'/Teachers' Retirement	699	16,944
Social Security	86	5,696
Group Insurance	1,230	23,245
Contractual Services	-	121,172
Travel	-	8,696
Telecommunications	-	797
Awards and Grants	-	1,011,711
Total Expenditures	<u>8,328</u>	<u>1,330,405</u>
Lapsed Balances	<u>1</u>	<u>2,409,095</u>
<i>SBE FEDERAL DEPARTMENT OF LABOR FUND - 392</i>		
Appropriations (Net of Transfers)	<u>-</u>	<u>8,175,000</u>
Expenditures		
Contractual Services	-	50,000
Awards and Grants	-	830,659
Total Expenditures	<u>-</u>	<u>880,659</u>
Lapsed Balances	<u>-</u>	<u>7,294,341</u>

STATE OF ILLINOIS
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COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	<u>2005</u>	<u>2004</u>
<i>SBE FEDERAL DEPARTMENT OF AGRICULTURE FUND - 410</i>		
Appropriations (Net of Transfers)	\$ 458,730,700	\$ 433,980,000
Expenditures		
Personal Services	3,093,023	2,678,074
Employee Retirement Contribution		
Paid by the State	118,739	106,674
State Employees'/Teachers' Retirement	392,573	323,162
Social Security	86,327	79,573
Group Insurance	670,873	470,194
Contractual Services	1,099,592	1,336,163
Travel	246,611	196,704
Commodities	18,403	14,998
Printing	26,912	28,791
Equipment	25,752	49,609
Telecommunications	46,396	31,666
Awards and Grants	433,726,295	410,258,563
Total Expenditures	439,551,496	415,574,171
Lapsed Balances	19,179,204	18,405,829
<i>COMMON SCHOOL FUND - 412</i>		
Appropriations (Net of Transfers)	2,958,451,200	2,771,850,000
Expenditures		
Awards and Grants	2,957,525,422	2,771,584,272
Lapsed Balances	925,778	265,728

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AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	2005	2004
<i>SCHOOL TECHNOLOGY REVOLVING FUND - 544</i>		
Appropriations (Net of Transfers)	\$ 125,000	\$ 125,000
Expenditures		
Lump Sum and Other Purposes	-	125,000
Awards and Grants	69,406	-
Total Expenditures	69,406	125,000
Lapsed Balances	55,594	-
<i>SBE FEDERAL AGENCY SERVICE FUND - 560</i>		
Appropriations (Net of Transfers)	9,381,400	-
Expenditures		
Personal Services	128,933	-
Employee Retirement Contribution		
Paid by the State	5,159	-
State Employees'/Teachers' Retirement	16,117	-
Social Security	3,026	-
Group Insurance	23,795	-
Contractual Services	90,537	-
Travel	10,383	-
Printing	2,906	-
Telecommunications	5,991	-
Awards and Grants	2,211,934	-
Total Expenditures	2,498,781	-
Lapsed Balances	6,882,619	-

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COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	<u>2005</u>	<u>2004</u>
<i>SBE FEDERAL DEPARTMENT OF EDUCATION FUND - 561</i>		
Appropriations (Net of Transfers)	\$ 1,751,202,700	\$ 1,625,690,700
Expenditures		
Personal Services	11,018,885	11,893,588
Employee Retirement Contribution		
Paid by the State	426,434	472,800
State Employees'/Teachers' Retirement	1,394,374	1,419,983
Social Security	309,228	288,939
Group Insurance	2,083,375	1,759,145
Contractual Services	18,293,095	5,786,033
Travel	661,972	647,480
Commodities	93,949	36,616
Printing	192	36,739
Equipment	99,892	129,936
Telecommunications	129,633	106,305
Lump Sum and Other Purposes	-	8,667,208
Awards and Grants	1,329,571,045	1,186,307,965
Total Expenditures	<u>1,364,082,074</u>	<u>1,217,552,737</u>
Lapsed Balances	<u>387,120,626</u>	<u>408,137,963</u>
<i>CHARTER SCHOOLS REVOLVING LOAN FUND - 567</i>		
Appropriations (Net of Transfers)	<u>20,000</u>	<u>2,000,000</u>
Expenditures		
Awards and Grants	<u>20,000</u>	<u>70,250</u>
Lapsed Balances	<u>-</u>	<u>1,929,750</u>

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COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	<u>2005</u>	<u>2004</u>
<i>SCHOOL INFRASTRUCTURE FUND - 568</i>		
Appropriations (Net of Transfers)	\$ 93,000	\$ 200,000
Expenditures		
Personal Services	66,203	-
Employee Retirement Contribution		
Paid by the State	2,648	-
State Employees'/Teachers' Retirement	399	-
Social Security	934	-
Group Insurance	13,525	-
Lump Sum and Other Purposes	-	181,743
Total Expenditures	<u>83,709</u>	<u>181,743</u>
Lapsed Balances	<u>9,291</u>	<u>18,257</u>
<i>SCHOOL TECHNOLOGY REVOLVING LOAN FUND PROGRAM</i>		
<i>FUND - 569</i>		
Appropriations (Net of Transfers)	<u>7,000,000</u>	<u>50,000,000</u>
Expenditures		
Awards and Grants	<u>-</u>	<u>4,315,154</u>
Total Expenditures	<u>-</u>	<u>4,315,154</u>
Lapsed Balances	<u>7,000,000</u>	<u>45,684,846</u>

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COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	2005	2004
<i>TEMPORARY RELOCATION EXPENSES REVOLVING</i>		
<i>GRANT FUND - 605</i>		
Appropriations (Net of Transfers)	\$ 1,000,000	\$ 1,130,000
Expenditures		
Awards and Grants	818,374	-
Total Expenditures	818,374	-
Lapsed Balances	181,626	1,130,000
<i>FUND FOR ILLINOIS' FUTURE - 611</i>		
Appropriations (Net of Transfers)	-	7,000
Expenditures		
Awards and Grants	-	-
Lapsed Balances	-	7,000
<i>ILLINOIS FUTURE TEACHER CORPS SCHOLARSHIP FUND - 753</i>		
Appropriations (Net of Transfers)	-	10,000
Expenditures		
Awards and Grants	-	-
Lapsed Balances	-	10,000

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AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	<u>2005</u>	<u>2004</u>
<i>NATIONAL CENTER FOR EDUCATION STATISTICS FUND - 791</i>		
Appropriations (Net of Transfers)	\$ 8,047	\$ 159,000
Expenditures		
Personal Services	5,524	51,446
Employee Retirement Contribution		
Paid by the State	221	2,058
State Employees'/Teachers' Retirement	890	6,916
Social Security	419	3,909
Group Insurance	753	5,445
Contractual Services	-	7,800
Travel	-	12,850
	<hr/>	<hr/>
Total Expenditures	7,807	90,424
	<hr/>	<hr/>
Lapsed Balances	240	68,576
	<hr/>	<hr/>
TOTAL - ALL APPROPRIATED FUNDS		
Appropriations	<hr/> 8,060,519,730	<hr/> 7,660,314,450
Expenditures	<hr/> 7,575,754,680	<hr/> 7,128,771,475
Reappropriated to next fiscal year	<hr/> 7,455	<hr/> 26,320,886
Lapsed Balances	<hr/> 484,757,595	<hr/> 505,222,089

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES

FOR THE FOURTEEN MONTHS ENDED AUGUST 31,

	<u>2005</u>	<u>2004</u>
Non-appropriated Funds		
<i>SBE FEDERAL NATIONAL COMMUNITY SERVICE FUND - 183</i>		
Expenditures		
Refunds	\$ 24,717	\$ -
<i>SBE FEDERAL DEPARTMENT OF AGRICULTURE FUND - 410</i>		
Expenditures		
Refunds	-	16,570
<i>SBE FEDERAL DEPARTMENT OF EDUCATION FUND - 561</i>		
Expenditures		
Refunds	-	1,933,453
Total Nonappropriated Funds	<u>24,717</u>	<u>1,950,023</u>
Total Expenditures - All Funds	<u>\$ 7,575,779,397</u>	<u>\$ 7,130,721,498</u>

The Agency did not make any Efficiency Initiative Payment during the examination period.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF OPERATING EXPENDITURES BY EXPENDITURE TYPE
FOR THE YEARS ENDED JUNE 30,

Description	2005	2004	Variance Increase/ (Decrease)
Personal Services	\$ 30,090,381	\$ 27,657,617	8.80%
Employee Retirement Contribution Paid by the State	606,924	1,119,767	-45.80%
State Employees'/Teachers' Retirement	2,674,664	2,268,887	17.88%
Social Security	871,449	803,778	8.42%
Group Insurance	2,823,206	2,270,106	24.36%
Contractual Services	33,323,489	8,826,912	277.52%
Travel	1,196,096	983,162	21.66%
Commodities	148,688	83,191	78.73%
Printing	38,885	76,871	-49.42%
Equipment	191,543	228,236	-16.08%
Telecommunications	475,193	355,851	33.54%
Operation of Automotive Equipment	11,908	18,915	-37.04%
Lump Sum and Other Purposes	2,654,928	91,354,605	-97.09%
Awards and Grants	7,500,247,326	6,992,723,577	7.26%
Interfund Transfers	400,000	-	100.00%
Refunds	24,717	1,950,023	-98.73%
Total Expenditures	7,575,779,397	7,130,721,498	6.24%
State Distributive Expenditures	(5,735,238,051)	(5,452,872,065)	5.18%
Federal Distributive Expenditures	(1,765,509,274)	(1,621,619,303)	8.87%
Total Operating Expenditures*	\$ 75,032,072	\$ 56,230,130	33.44%

*Total operating expenditures includes only the amount used to carry out the Agency's administrative responsibilities.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

SCHEDULE OF CHANGES IN STATE PROPERTY

FOR THE YEARS ENDED JUNE 30,

	<u>2005</u>	<u>2004</u>
Property and Equipment, Beginning of Fiscal Year	\$ 17,556,048	\$ 18,294,445
Additions:		
Purchases and other additions	1,297,501	1,346,170
Deletions:		
Transfers-out	2,216,179	1,239,274
Trade-ins, adjustments and other deletions	1,310,257	845,293
Property and Equipment, June 30	<u>\$ 15,327,113</u>	<u>\$ 17,556,048</u>
Property and Equipment by location		
Springfield - Alzina Building, Concourse	\$ 2,304,245	\$ 2,975,808
Springfield - Alzina Building, First Floor	105,355	104,433
Springfield - Alzina Building, Second Floor	2,770,677	2,818,118
Springfield - Alzina Building, Third Floor	6,885,840	7,352,132
Springfield - Alzina Building, Fourth Floor	695,419	747,986
Springfield - Warehouse	252,537	1,224,673
Lombard - Philip J. Rock Center	1,499,003	1,499,003
Chicago - James R. Thompson Center	814,037	833,895
Property and Equipment, June 30	15,327,113	17,556,048
Accrual adjustments		
Property and Equipment accounts payable - June 30	-	13,951
Property and Equipment, accrual basis - June 30	<u>\$ 15,327,113</u>	<u>\$ 17,569,999</u>

Note: The data was reconciled to Agency property reports (C-15 Agency Report of State Property) submitted to the Office of the Comptroller. This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the Comptroller for financial reporting in accordance with generally accepted accounting principles.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF CASH RECEIPTS

FOR THE YEARS ENDED JUNE 30,

	<u>2005</u>	<u>2004</u>
<i>GENERAL REVENUE (001)</i>		
Federal government indirect cost recoveries		
U.S. Department of Agriculture	\$ 34,445	\$ 133,130
U.S. Department of Education	874,133	571,129
U.S. Department of Health and Human Services	1,439	7,274
U.S. Department of Labor	-	861
S.B.E. Federal National Community Service	-	1,396
Private Business Schools	159,875	127,325
Miscellaneous	7,157	1,778
Grantee interest income	-	20
Prior Year Refunds/Adjustments	3,060,673	4,095,043
Total General Revenue Fund	<u>4,137,722</u>	<u>4,937,956</u>
<i>EDUCATION ASSISTANCE FUND (007)</i>		
Prior Year Refunds/Adjustments	<u>16,074</u>	<u>15,308</u>
<i>TEACHER CERTIFICATE FEE REVOLVING FUND (016)</i>		
Teacher certification filing fees	1,520,829	1,365,691
Prior Year Refunds/Adjustments	430	-
Total Teacher Certificate Fee Revolving Fund	<u>1,521,259</u>	<u>1,365,691</u>
<i>SCHOOL DISTRICT EMERGENCY FINANCIAL ASSISTANCE FUND (130)</i>		
Loan Repayments - interest	34,933	17,697
Loan Repayments - principal	612,981	452,800
Total School District Emergency Financial Assistance Fund	<u>647,914</u>	<u>470,497</u>
<i>SBE TEACHER CERTIFICATION INSTITUTE FUND (159)</i>		
Teacher certification filing fees	199,625	151,941
Prior Year Refunds/Adjustments	-	5,750
Total S.B.E. Teacher Certification Institute Fund	<u>199,625</u>	<u>157,691</u>
<i>SBE GED TESTING FUND (161)</i>		
High school equivalency testing fees	402,729	426,702
Prior Year Refunds/Adjustments	1,590	-
Total S.B.E. Teacher Certification Institute Fund	<u>404,319</u>	<u>426,702</u>
<i>SBE SCHOOL BUS DRIVER PERMIT FUND (162)</i>		
School bus driver training fees	<u>-</u>	<u>1,644</u>
<i>SBE FEDERAL NAT'L COMMUNITY SERVICE FUND (183)</i>		
Corporation for National and Community Service grants	148,287	754,816
Prior Year Refunds/Adjustments	14,406	42,112
Total S.B.E. Federal Nat'l Community Service Fund	<u>162,693</u>	<u>796,928</u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF CASH RECEIPTS

FOR THE YEARS ENDED JUNE 30,

	<u>2005</u>	<u>2004</u>
<i>SBE DEPARTMENT OF HEALTH AND HUMAN SERVICES FUND (239)</i>		
U.S. Department of Health and Human Services grants	\$ 314,859	\$ 1,076,258
<i>SBE FEDERAL DEPARTMENT OF LABOR TRUST FUND (392)</i>		
U.S. Department of Labor grants	173,518	1,133,378
Other program revenue	-	85
Prior Year Refunds/Adjustments	-	62,814
Total S.B.E. Federal Department of Labor Trust Fund	<u>173,518</u>	<u>1,196,277</u>
<i>SBE FEDERAL DEPARTMENT OF AGRICULTURE FUND (410)</i>		
U.S. Department of Agriculture grants	436,285,157	422,285,936
Other program revenue	23,190	60,404
Prior Year Refunds/Adjustments	263,066	263,687
Total S.B.E. Federal Department of Agriculture Fund	<u>436,571,413</u>	<u>422,610,027</u>
<i>SCHOOL TECHNOLOGY REVOLVING FUND (544)</i>		
Student Fees	120	102,550
Prior Year Refunds/Adjustments	-	38,385
Total School Technology Revolving Fund	<u>120</u>	<u>140,935</u>
<i>SBE FEDERAL AGENCY SERVICES FUND (560)</i>		
U.S. Department of Labor grants	730,601	-
Corporation for National and Community Service grants	488,239	-
U.S. DHHS Refugee Services grants	690,802	-
U.S. DHHS Training Services grants	169,347	-
Total SBE Federal Agency Services Fund	<u>2,078,989</u>	<u>-</u>
<i>SBE FEDERAL DEPARTMENT OF EDUCATION FUND (561)</i>		
U.S. Department of Education grants	1,298,361,657	1,207,537,038
Federal Money via other state	-	56,370
Miscellaneous	467	-
Prior Year Refunds/Adjustments	2,966,569	4,544,381
Total S.B.E. Federal Department of Education Fund	<u>1,301,328,693</u>	<u>1,212,137,789</u>
<i>CHARTER SCHOOLS REVOLVING LOAN FUND (567)</i>		
Loan Repayments - principal	<u>17,939</u>	<u>9,594</u>
<i>SCHOOL INFRASTRUCTURE FUND (568)</i>		
Prior Year Refunds/Adjustments	<u>46,158</u>	<u>277,938</u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF CASH RECEIPTS

FOR THE YEARS ENDED JUNE 30,

	<u>2005</u>	<u>2004</u>
<i>SCHOOL TECHNOLOGY REVOLVING LOAN PROGRAM FUND (569)</i>		
Loan Repayments - interest	\$ 206,492	\$ 357,967
Loan Repayments - principal	7,437,657	13,503,941
Interest	10,893	9,574
Prior Year Refunds/Adjustments	17,486	60,111
Total School Technology Revolving Loan Program Fund	<u>7,672,528</u>	<u>13,931,593</u>
<i>PRIVATE BUSINESS AND VOCATIONAL SCHOOLS FUND (578)</i>		
Private Business Schools	<u>-</u>	<u>33,225</u>
<i>STATE BOARD OF EDUCATION FUND (579)</i>		
Licenses, Fees & Registrations	<u>-</u>	<u>55,062</u>
<i>STATE BOARD OF EDUCATION SPECIAL PURPOSE TRUST FUND (591)</i>		
Private organization or individuals	<u>-</u>	<u>1,000</u>
<i>TEMPORARY RELOCATION EXPENSES REVOLVING GRANT FUND (605)</i>		
General Revenue Fund transfers-in	400,000	-
Loan repayments - principal	132,515	129,183
Total Temporary Relocation Expenses Revolving Grant Fu	<u>532,515</u>	<u>129,183</u>
<i>FUND FOR ILLINOIS' FUTURE (611)</i>		
Prior Year Refunds/Adjustments	<u>37,329</u>	<u>26,934</u>
<i>TOBACCO SETTLEMENT RECOVERY FUND (733)</i>		
Grantee Interest Income Refunded	<u>-</u>	<u>1,112</u>
<i>NATIONAL CENTER FOR EDUCATION STATISTICS FUND (791)</i>		
U.S. Department of Education grants	<u>-</u>	<u>131,086</u>
 Total Cash Receipts	 <u>\$ 1,755,863,667</u>	 <u>\$ 1,659,930,430</u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER

FOR THE YEAR ENDED JUNE 30, 2005

	General Revenue Fund (001)	Education Assistance Fund (007)	Teacher Certificate Fee Revolving Fund (016)	School District Emergency Financial Asst Fund (130)	S.B.E. Teacher Certification Institute Fund (159)
Cash Receipts per Agency	\$ 1,077,049	\$ -	\$ 1,520,829	\$ 647,914	\$ 199,625
Adjustments:	-	-	-	-	-
Cash on Hand at June 30, 2004	-	-	-	-	-
Cash on Hand at June 30, 2005	(4,308)	-	(69,772)	-	(16,224)
Receipts in transit at June 30, 2004	-	-	39,492	-	1,481
Receipts in transit at June 30, 2005	(2,732)	-	-	-	-
Prior Year Refunds/Adjustments	3,060,673	16,074	430	-	-
Refunds in transit at June 30, 2004	11,750	-	-	-	-
Refunds in transit at June 30, 2005	-	-	-	-	-
Totals	4,142,432	16,074	1,490,979	647,914	184,882
Receipts per Comptroller (SB04)	4,142,432	16,074	1,490,979	647,914	184,882
Agency/Comptroller variance	\$ -	\$ -	\$ -	\$ -	\$ -

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER

FOR THE YEAR ENDED JUNE 30, 2005

	S.B.E. GED Testing Fund (161)	S.B.E. Federal Nat'l Community Service Fund (183)	S.B.E. Dept. of Health & Human Services Fund (239)	S.B.E. Federal Dept. of Labor Trust Fund (392)	S.B.E. Federal Department of Agriculture Fund (410)
Cash Receipts per Agency	\$ 402,729	\$ 148,287	\$ 314,859	\$ 173,518	\$436,308,347
Adjustments:	-	-	-	-	-
Cash on Hand at June 30, 2004	-	-	-	-	-
Cash on Hand at June 30, 2005	-	-	-	-	-
Receipts in transit at June 30, 2004	-	-	-	-	-
Receipts in transit at June 30, 2005	-	-	-	-	-
Prior Year Refunds/Adjustments	1,590	14,406	-	-	263,066
Refunds in transit at June 30, 2004	-	-	-	-	-
Refunds in transit at June 30, 2005	-	-	-	-	(1,817)
Totals	404,319	162,693	314,859	173,518	436,569,596
Receipts per Comptroller (SB04)	404,319	162,693	314,859	173,518	436,569,596
Agency/Comptroller variance	\$ -	\$ -	\$ -	\$ -	\$ -

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER

FOR THE YEAR ENDED JUNE 30, 2005

	<u>School Technology Revolving Fund (544)</u>	<u>S.B.E. Federal Agency Services Fund (560)</u>	<u>S.B.E. Federal Department of Education Fund (561)</u>	<u>Charter Schools Revolving Loan Fund (567)</u>	<u>School Infrastructure Fund (568)</u>
Cash Receipts per Agency	\$ 120	\$ 2,078,989	\$ 1,298,362,124	\$ 17,939	\$ -
Adjustments:	-	-	-	-	-
Cash on Hand at June 30, 2004	-	-	-	-	-
Cash on Hand at June 30, 2005	-	-	-	-	-
Receipts in transit at June 30, 2004	-	-	-	-	-
Receipts in transit at June 30, 2005	-	-	-	-	-
Prior Year Refunds/Adjustments	-	-	2,966,569	-	46,158
Refunds in transit at June 30, 2004	-	-	16,559	-	3,113
Refunds in transit at June 30, 2005	-	-	(18,185)	-	-
Totals	120	2,078,989	1,301,327,067	17,939	49,271
Receipts per Comptroller (SB04)	<u>355,614</u>	<u>2,078,989</u>	<u>1,301,331,888</u>	<u>17,939</u>	<u>49,271</u>
Agency/Comptroller variance	<u>\$ (355,494) a</u>	<u>\$ -</u>	<u>\$ (4,821) b</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER

FOR THE YEAR ENDED JUNE 30, 2005

	School Tech. Revolving Loan Program Fund (569)	Temporary Relocation Expenses Revolving Grant Fund (605)	Fund for Illinois' Future (611)	Total
Cash Receipts per Agency	\$ 6,467,327	\$ 532,515	\$ -	\$ 1,748,252,171
Adjustments:	-	-	-	-
Cash on Hand at June 30, 2004	1,187,714	-	-	1,187,714
Cash on Hand at June 30, 2005	(292,161)	-	-	(382,465)
Receipts in transit at June 30, 2004	-	-	-	40,973
Receipts in transit at June 30, 2005	-	-	-	(2,732)
Prior Year Refunds/Adjustments	17,486	-	37,329	6,423,781
Refunds in transit at June 30, 2004	-	-	-	31,422
Refunds in transit at June 30, 2005	-	-	-	(20,002)
Totals	7,380,366	532,515	37,329	1,755,530,862
Receipts per Comptroller (SB04)	7,024,872	532,515	37,329	1,755,535,683
Agency/Comptroller variance	<u>\$ 355,494</u> a	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,821)</u>

a Agency/Comptroller variance due to a deposit posting to the wrong fund and not being corrected until FY06.

b Agency/Comptroller variance due to a Comptroller posting error.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF DISTRIBUTIVE EXPENDITURES BY FUND

FOR THE YEARS ENDED JUNE 30,

	<u>2005</u>	<u>2004</u>
General Revenue Fund		
ADA School Safety & Education Block	\$ 54,840,999	\$ 42,828,746
Agricultural Education	1,876,060	1,860,414
Agricultural Education-Chicago Block Grant	-	20,700
Alternative Education/Regional Safe Schools	17,035,420	17,007,895
Bilingual Reimbursement-Chicago Block Grant	35,896,600	34,896,600
Bilingual Reimbursement-Downstate	28,655,399	27,655,397
Career & Technical Education	35,967,149	-
Compensation Regional Supt & Assistants	638,198	-
District Consolidation	3,514,822	-
Early Childhood Block Grant	242,074,914	133,560,091
Early Childhood-Chicago Block Grant	-	78,960,100
Early Intervention	-	64,447,300
Educational Materials Unit	1,121,000	1,121,000
Extraordinary Special Education Reimbursement	-	162,393,032
Extraordinary Special Education-Chicago Block Grant	-	67,014,600
Fast Growth Grants	9,999,964	-
Free Lunch and Breakfast Program	20,499,995	9,645,497
Free Lunch and Breakfast Program-Chicago Block Grant	-	9,919,500
General State Aid Supplemental	27,076,408	36,993,085
Handicapped Orphans & Foster Child Reimbursement	-	61,654,556
Handicapped Orphans & Foster Child-Chicago Block Grant	-	34,858,500
Illinois Breakfast Incentive	699,511	538,780
Illinois Economic Education Program	100,000	-
Illinois Governmental Student Internship	129,900	129,900
ISBE Regional Services	-	3,242,687
Jobs for Illinois Graduates Program	3,000,000	-
Metro East Consortium/Student Advocacy	217,100	195,494
Minority Transition	289,400	578,800
Orphanage & Tuition Claims	16,766,401	14,651,000
Parent/Guardian Transportation	14,454,275	14,431,528
Philip J. Rock Center	2,855,500	2,855,500
Reading Improvement Block	76,114,558	55,692,390
Reading Improvement-Chicago Block Grant	-	23,528,700
Recording for Blind and Dyslexic	168,800	168,800
Regional Superintendents Services	5,470,000	-
Reorganization Incentive	-	995,302
South Cook Intermediate Service Center	300,000	300,000
Special Education Personnel Reimbursement	352,039,554	309,073,652
Special Education Personnel-Chicago Block Grant	-	34,946,000
Special Education - Extraordinary	243,048,000	-
Special Education - Orphans & Foster Children	96,569,298	-
Special Education Private Facility Tuition	-	30,662,227
Special Education Private Facility Tuition-Chicago Block	-	28,760,700
Standards, Assessment and Accountability - Learning Standar	3,505,000	6,550,000

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

COMPARATIVE SCHEDULE OF DISTRIBUTIVE EXPENDITURES BY FUND

FOR THE YEARS ENDED JUNE 30,

	<u>2005</u>	<u>2004</u>
General Revenue Fund (Continued)		
State Charter Schools	\$ 3,421,500	\$ 3,693,600
Summer Bridges	21,763,418	13,800,647
Summer Bridges - Chicago Block Grant	-	10,892,900
Summer School payments	6,762,000	2,904,700
Summer School payments-Chicago Block Grant	-	3,465,300
Tax Equivalent Grants	222,600	222,600
Teach America	450,000	450,000
Teacher Education	4,734,922	4,433,990
Teachers Academy for Math and Science	1,000,000	-
Technology for Success Reimbursement	4,105,620	9,486,998
Textbook Program - Reappropriation	26,313,432	27,617,939
Textbook Program - Section 18-17	13,294,265	2,805,615
Transitional Assistance	7,699,771	5,154,409
Transporting Common School Pupils Reimbursement	261,630,000	232,874,441
Transporting Common School Pupils-Chicago Block Grant	-	9,454,500
Transporting Handicapped Students Reimbursement	300,482,692	223,098,026
Transporting Handicapped Students-Chicago Block Grant	-	62,734,700
Truant Alternative	15,565,688	11,460,077
Truant Alternative - Chicago Block Grant	-	4,200,000
Tuition Disabled Children	66,811,475	-
Vocational Education - State Distribution (Basic)	-	37,929,389
	<u>2,029,181,608</u>	<u>1,978,818,304</u>
Total General Revenue Fund		
Education Assistance Fund		
General State Aid	731,900,000	681,900,000
	<u>731,900,000</u>	<u>681,900,000</u>
Total Education Assistance Fund		
Common School Fund		
General State Aid	2,950,301,200	2,763,700,000
Compensation for Regional Superintendents & Assistants	7,224,222	7,884,272
	<u>2,957,525,422</u>	<u>2,771,584,272</u>
Total Common School Fund		
Other Funds		
Charter Schools Revolving Loan Fund	20,000	70,250
Drivers Education Fund	15,723,241	15,746,585
Emergency Financial Assistance	-	312,500
Federal Trust Funds	1,765,509,274	1,621,619,303
School Technology Revolving Fund	69,406	125,000
School Technology Revolving Loan Fund	-	4,315,154
Temporary Relocation Expense Revolving Fund	818,374	-
	<u>1,782,140,295</u>	<u>1,642,188,792</u>
Total Other Funds		
TOTAL DISTRIBUTIVE EXPENDITURES	<u>\$ 7,500,747,325</u>	<u>\$ 7,074,491,368</u>

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

The expenditures for the Agency's operating divisions are financed by appropriations from various funds. The Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances compares expenditures by appropriated line item and by fund and program for the fiscal years ended June 30, 2005 and 2004. The Agency's explanations for significant fluctuations in appropriated expenditures are detailed below.

General Revenue Fund (001)

Personal Services – The increase was generally due to the retirement pick-up line being paid from personal services. Per PA 93-0681, this was allowed in fiscal year 2005.

Employee Retirement Contribution Paid by the State – In fiscal year 2005 the decrease was due to the retirement pick-up line being paid from personal services.

State Employees'/Teachers' Retirement – The increase was generally due to appropriation changes in fiscal year 2005 (in fiscal year 2004 several programs were coded as lump sum accounts) and an increase in headcount in fiscal year 2005.

Contractual Services – The increase was generally due to appropriation changes in fiscal year 2005. In fiscal year 2004, several programs were coded as lump sum accounts (e.g., Technology for Success, Summer Bridges and Standards, Assessment & Accountability); in fiscal year 2005, these programs were changed to grant appropriations. In addition, in fiscal year 2004 several programs had specific lump sum operations lines (e.g., State Charter Schools, Truants Alternative Optional Education); in fiscal year 2005, these program-specific operations lines were eliminated.

Travel – The increase was generally due to appropriation changes in fiscal year 2005. In fiscal year 2004, several programs were coded as lump sum accounts (e.g., Technology for Success, Summer Bridges and Standards, Assessment & Accountability); in fiscal year 2005, these programs were changed to grant appropriations. In addition, in fiscal year 2004 several programs had specific lump sum operations lines associated with them (e.g., State Charter Schools, Truants Alternative Optional Education); in fiscal year 2005, these program-specific operations lines were eliminated.

Equipment and Telecommunications - The increase was generally due to appropriation changes in fiscal year 2005. In fiscal year 2004, several programs were coded as lump sum accounts (e.g., Technology for Success, Summer Bridges and Standards, Assessment & Accountability); in fiscal year 2005, these programs were changed to grant appropriations. In addition, in fiscal year 2004 several programs had specific lump sum operations lines associated with them (e.g., State Charter Schools, Truants Alternative Optional Education); in fiscal year 2005, these program-specific operations lines were eliminated.

Operations of Auto Equipment – During fiscal year 04, three vehicles that were running up repair costs were surplus, and in fiscal year 05 another vehicle was surplus. In addition, the Central Management Services (CMS) motor pool closed in fiscal year 2005, so there was a reduction in rental expenses of motor pool vehicles.

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

(Continued)

Lump Sum and Other Purposes – The decrease was generally due to appropriation changes in fiscal year 2005. In fiscal year 2004, several programs (e.g., Technology for Success, Summer Bridges and Standards, Assessment & Accountability) were coded as lump sums; in fiscal year 2005 these programs were changed to grant appropriations. In addition, in fiscal year 2004 several programs had specific lump sum operations lines associated with them (e.g., State Charter Schools, Truants Alternative Optional Education); in fiscal year 2005 these program-specific operations lines were eliminated.

Awards and Grants – The increase was generally due to appropriation changes in fiscal year 2005. In fiscal year 2004, several programs (e.g., Technology for Success, Summer Bridges and Standards, Assessment & Accountability) were coded as lump sums; in fiscal year 2005 these programs were changed to grant appropriations.

Interfund Transfers – In fiscal year 2005, a transfer was made from the General Revenue fund into the Temporary Relocation Revolving Fund for loans/grants to Gavin School District #37 and Cypress School District #64 for emergency relocation. Funds are only provided on an as-needed basis. In fiscal year 2004, no additional funds were requested for transfer.

Education Assistance Fund (007)

Awards and Grants – The increase was due to an appropriation increase in the Education Assistance Fund (EAF) for General State Aid (GSA). The total GSA increase from fiscal year 2004 to fiscal year 2005 was \$236.6 million of which EAF accounted for \$50.0million. The final appropriation allocations are determined in the budget passed by the General Assembly and signed by the Governor.

Teacher Certification Fee Revolving Fund (016)

Personal Services and Related Line Items, and

Lump Sum and Other Purposes – A supplemental appropriation was provided in late fiscal year 2004; however, there was not enough time to expend all of the funds. In fiscal year 2005, there was a full year to expend the higher appropriation.

Drivers Education Fund (031)

State Employees /Teachers' Retirement and Social Security – The staff member paid on this fund retired in May of 2004. The person chosen to fill this vacancy at the end of fiscal year 2004 started at a lower step than the previous staff member.

Group Insurance – The group insurance rate was increased by the Department of Central Management Services in fiscal year 2005.

Contractual, Travel, Commodities,

Printing, and Telecommunications – The Agency received no appropriation in fiscal year 2005.

School District Emergency Financial Assistance Fund (130)

Awards and Grants – There were no requests for funds in fiscal year 2005 from school districts per 105 ILCS 5/1B-8 of the School Code.

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(Continued)

SBE Federal National Community Service Fund (183)

*Personal Services and Related Line Items,
Contractual Services, Travel,
Telecommunications, and*

Awards and Grants – The decrease was due to an appropriation fund change in fiscal year 2005 that combined the SBE Federal National Community Service Fund (183), SBE Federal Department of Health and Human Services Fund (239) and SBE Federal Department of Labor Fund (392) into a new SBE Federal Agency Services Fund (560).

SBE Federal Department of Health and Human Services Funds (239)

*Personal Services and Related Line Items,
Contractual Services, Travel
Telecommunications and*

Awards and Grants – The decrease in these three expenditures was due to an appropriation fund change that combined the SBE Federal National Community Service Fund (183), SBE Federal Department of Health and Human Services Fund (239) and SBE Federal Department of Labor Fund (392) into a new SBE Federal Agency Services Fund (560).

SBE Federal Department of Labor Fund (392)

Contractual Services and

Awards and Grants – The decrease was due to the State Board of Education no longer receiving funds from the United States Department of Labor. In addition, there was an appropriation fund change that combined the SBE Federal National Community Service Fund (183), SBE Federal Department of Health and Human Services Fund (239) and SBE Federal Department of Labor Fund (392) into a new SBE Federal Agency Services Fund (560).

SBE Federal Department of Agriculture Fund (410)

Personal Services, Related Line Items,

Travel and Telecommunications – The increase was generally due to an increase in the number of staff in the Child Nutrition Division. The staffing increase was needed for the division to accomplish federal compliance requirements.

Group Insurance – The increase was generally due to an increase in the number of staff in the Child Nutrition Division. In addition, the group insurance rate was increased by the Department of Central Management Services in fiscal year 2005.

Contractual Services – The decrease was generally due to the Child Nutrition System developments and enhancements needs in fiscal year 2004 as compared to fiscal year 2005 and the use of contractors to conduct nutritional analysis of school district records to meet the School Meals Initiative defined in the National School Lunch Program Federal Regulations in fiscal year 2004.

Equipment – The decrease was due to the creation of a disaster recovery site in fiscal year 04 (the cost for this site was funded with various state and federal funds).

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

(Continued)

Awards and Grants – The increase was due to an increase in the meal reimbursement rates established by the United States Department of Agriculture (USDA) and an increase in the number of participants in USDA child nutrition programs.

Common School Fund (412)

Awards and Grants – The increase was due to an appropriation increase in the Common School Fund for General State Aid (GSA). The total GSA increase from fiscal year 2004 to fiscal year 2005 was \$236.6 million of which the Common School Fund accounted for \$186.6 million. The final appropriation allocations are determined in the budget passed by the General Assembly and signed by the Governor.

School Technology Revolving Fund (544)

Lump Sum and Other Purposes – The decrease was due to an appropriation code change in fiscal year 2005. In fiscal year 2004, this was coded as a lump sum account; in fiscal year 2005 it was coded as grants.

SBE Federal Agency Services Fund (560)

*Personal Services and Related Line Items,
Contractual Services, Travel,
Printing, Telecommunications and*

Award and Grants – The classifications increase was due to the creation of the 560 fund in fiscal year 2005. According to statute, this new fund combined the following funds: SBE Federal National Community Service Fund (183), SBE Federal Department of Health and Human Services Fund (239) and SBE Federal Department of Labor Fund (392).

SBE Federal Department of Education (561)

Contractual Services – The increase was generally due to an appropriations change in fiscal year 2005. In fiscal year 2004, the Federal Title VI Assessments line (used to pay for federally-required assessment tests) was coded as a lump sum; in fiscal year 2005, the line was coded as contractual. In addition, in fiscal year 2005, additional federal funds were available for assessment expenses.

Commodities – The increase was generally due to: office supplies purchased through the CMS contract; toner cartridges (in fiscal year 04, ISBE purchased refurbished cartridges from the contractual line); supplies for the new Docutech printer; and tapes for the LTO library (back-up storage).

Printing – The decrease is generally due to an increase in the use of technology (e.g., grant applications are now submitted through the internet as well as various communications with school districts).

Equipment – The decrease was due to the creation of a disaster recovery site in fiscal year 2004 (the cost for this site was funded with various state and federal funds).

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FOR THE YEAR ENDED JUNE 30, 2005

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(Continued)

Telecommunications – The increase was generally due to an increase in headcount.

Lump Sum and Other Purposes – The decrease was generally due to an appropriations change in fiscal year 2005. In fiscal year 2004, the Federal Title VI Assessments line (used to pay for federally-required assessment tests) was coded as a lump sum; in fiscal year 2005, the line was coded as contractual.

Award and Grants – The increase was generally due to an increase in the amount of federal funds awarded to the Illinois State Board of Education from the United States Department of Education.

Charter Schools Revolving Loan (567)

Award and Grants – The decrease was due to a decrease in the number of schools receiving charter school loans.

School Infrastructure Fund (568)

Personal Services and Related Line Items and

Lump Sum and Other Purposes – The decrease was due to appropriation code changes in fiscal year 2005. In fiscal year 2004, this program was coded as a lump sum account; in fiscal year 2005, this program was coded as individual line items, such as personal services.

School Technology Revolving Loan Program Fund (569)

Awards and Grants – The decrease was due to legislation that allowed a sweep of the 569 fund in fiscal year 2005. Because available revenue was unknown, ISBE did not seek applications during fiscal year 2005.

Temporary Relocation Expenses Revolving Grant Fund (605)

Awards & Grants – The increase was due to loans/grants to Gavin School District #37 and Cypress School District 64 for emergency relocation expenses. In fiscal year 2004, no requests were made for these funds.

National Center for Education Statistics Fund (791)

Personal Services and Related Line Items,

Contractual Services, Travel - The decrease was due to an appropriation fund change in fiscal year 2005 that combined the SBE National Center for Education Statistics Fund with the SBE Federal Department of Education Fund (561).

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ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

To analyze cash receipts, the Comparative Schedule of Cash Receipts was utilized to identify significant fluctuations in Agency cash receipts by fund by source for the fiscal years ended June 30, 2005 and 2004. The following are explanations obtained from Agency officials for the identified fluctuations:

General Revenue Fund – 001

US Department of Agriculture – The decrease in fiscal year 2005 was due to a deposit posting to the wrong sub account. The deposit was posted to the US Department of Education sub account in error.

US Department of Education – The increase in fiscal year 2005 was due to an increase in the indirect cost rate. Therefore, more indirect cost funds were received.

Private Business Schools – The increase in FY05 was due to \$33,225 in funds being deposited into the 578 fund in fiscal year 2004. All funds are now deposited into the General Revenue Fund.

Prior Year Refunds/Adjustments – The decrease in fiscal year 2005 was due to less returned funds. There were large refunds in fiscal year 2004 for the Transportation, Vocational Education, and Special Education Programs which did not occur in fiscal year 2005.

School District Emergency Financial Assistance Fund – 130

Loan repayments principal and interest – The increase in fiscal year 2005 was due to loans being repaid by four (4) school districts for loans. The number of schools receiving loans increased in fiscal year 2005 from one (1) to four (4).

S.B.E. Teacher Certification Institute Fund - 159

Teacher certification filing fees – The increase in fiscal year 2005 was due to this being the first year that standard certificate holders had to renew their certificates.

S.B.E. Federal Nat'l Community Service Fund - 183

Corporation for National and Community Service Grants – The decrease in fiscal year 2005 was due to the movement of this fund's activity to fund 560.

S.B.E. Department of Health and Human Services Fund – 239

US Department of Health and Human Services Grant – The decrease in fiscal year 2005 was due to the movement of this fund's activity to fund 560.

S.B.E. Federal Dept. of Labor Trust Fund – 392

US Department of Labor Grant – The decrease in fiscal year 2005 was due to the movement of this fund's activity to fund 560.

S.B.E. Federal Department of Agriculture Fund – 410

Other Program Revenue – The decrease in FY05 was due to a decrease in the interest received from Lanter Corporation.

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ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

(Continued)

School Technology Revolving Fund – 544

Student Fees – The decrease in fiscal year 2005 was due to Illinois Virtual High School Program fees being collected by Illinois Math and Sciences Academy (IMSA) starting in fiscal year 2005.

SBE Federal Agency Services Fund – 560

US Department of Labor Grants – The increase was due to fiscal year 2005 being the first year that this fund was established and used to receive these funds. In fiscal year 2004, these funds were deposited into fund 392.

Corporation for National and Community Service Grants - The increase was due to fiscal year 2005 being the first year that this fund was established and used to receive these funds. In fiscal year 2004, these funds were deposited into fund 183.

US DHHS Refugee Service Grants and

US DHHS Training Services Grants - The increase was due to fiscal year 2005 being the first year that this fund was established and used to receive these funds. In fiscal year 2004, these funds were deposited into fund 239.

S.B.E. Federal Dept. of Education Fund – 561

Federal Money Via Other State – The decrease was due to no Baldrige grant funds being received in FY05.

Prior Year Refunds/Adjustments – The decrease in fiscal year 2005 was due to a decrease in funds returned. In fiscal year 2004 there was a large refund for the Title 1 Reading First program that did not occur in fiscal year 2005.

School Infrastructure Fund – 568

Prior Year Refunds/Adjustments – The decrease in fiscal year 2005 was due to a decrease in funds returned from school districts for the 2001 School Maintenance Program.

School Technology Revolving Loan Program Fund – 569

Loan repayments –principal and interest – The decrease in fiscal year 2005 due to no new loans in fiscal year 2005 and a decrease in loan applications from prior fiscal years which resulted in a decrease in the payments received in fiscal year 2005. Also, loans from previous fiscal years are now paid off.

Private Business and Vocational Schools Fund – 578

Private Business Schools – The decrease in fiscal year 2005 was due to funds being deposited into the General Revenue Fund starting in fiscal year 2004 per statute. The Agency's authority to deposit into Fund 578 expired during fiscal year 2004.

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
(Continued)

State Board of Education Fund – 579

Licenses, Fees & Registrations – The decrease in fiscal year 2005 was due to the fund expiring in July 2005.

Temporary Relocation Expenses Revolving Grant Fund – 605

Interfund cash transfer – There were no receipts in fiscal year 2004 as no funds were transferred-in from the General Revenue Fund in fiscal year 2004 due to lack of need. There was a transfer-in during fiscal year 2005.

Fund for Illinois' Future – 611

Prior Year Refunds/Adjustments – The increase in fiscal year 2005 was due to unspent funds returned from recipients for funded projects. The fiscal year 2005 refunds were returned funds from Chicago Public Schools.

National Center for Education Statistics Fund – 791

US Department of Education Grants – The decrease was due to the fund being closed in FY2005. Fund 561 was named the successor fund.

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ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

Lapse period expenditures result from vouchers received late in the fiscal year for goods received or services provided prior to June 30. To analyze significant lapse period spending, the Schedule of Appropriations, Expenditures and Lapsed Balances was used to compare lapse period expenditures to total expenditures in fiscal year 2005. The following explanations were obtained from Agency officials.

General Revenue Fund – 001

Contractual Services - The significant lapse period expenditures were for the payment of professional fees for (ISAT) test grading and development of (ACT) test components.

Travel – The significant lapse period expenditures were for employee travel payments processed for vouchers submitted after June 30.

Telecommunications - The significant lapse period expenditures were for the payment of telecommunication charges billed by the Department of Central Management Services during lapse period.

Operation of Automotive Equipment - The significant lapse period expenditures were for the payment of automotive charges billed by the Department of Central Management Services during lapse period.

SBE Federal Department of Agriculture Fund – 410

Contractual Services – The significant lapse period expenditures were for the payment of the prorated share of the Statewide Federal Single Audit and Summer Food Service site inspections.

Telecommunications - The significant lapse period expenditures were for the payment of telecommunication charges billed the agency by the Department of Central Management Services during lapse period.

SBE Federal Agency Services Fund – 560

Contractual Services - The significant lapse period expenditures was for payment of HIV prevention education services.

Travel - The significant lapse period expenditures were for employee travel payments processed for vouchers submitted after June 30.

SBE Department of Education Fund – 561

Printing – The significant lapse period expenditure was for the purchase of window envelopes.

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ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES

The following explanations were obtained from Agency official for the identified accounts:

Major Fund/General Fund

Unexpended appropriation – This balance represents the amount of lapse period warrants issued plus an increase in liabilities for reappropriated accounts in the current year.

Due to other government – local – This balance represents liabilities of the Agency at June 30 to local education agencies for mandated categorical programs, paid from the succeeding year appropriation.

Fund Balance, Unreserved: Unrestricted – This deficit is primarily represented by liabilities of the Agency at June 30 to local education agencies for mandated categorical programs, which are paid from the succeeding year appropriation.

Nonmajor Funds/Special Revenue Funds

Cash and cash equivalents – This balance represents cash balances in the Agency's special revenue funds. The largest balance is in the Teacher Certificate Fee Revolving Loan Program Fund, whose revenues include payments for the issuance of teaching certificates.

Due from other governments – federal – This balance represents amounts due primarily from the U.S. Department of Agriculture and the U.S. Department of Education for reimbursement of grant payments due to local education agencies at June 30.

Due from other funds - This balance represents amounts due from other State agencies and from other ISBE funds.

Inventories – This balance represents the value of the commodities inventory in the SBE Federal Department of Agriculture Fund at June 30.

Loans receivable – This balance represents amounts due primarily to the Agency from school districts that have borrowed funds under the Agency's emergency financial assistance, technology, or temporary relocation programs.

Accounts payable and accrued liabilities – This balance represents liabilities of the Agency at June 30, primarily for professional and artistic services, where final payments were completed after June 30.

Due to other governments – federal - This balance represents amounts due the federal government, primarily for expired grants where unused grant funds have been returned to ISBE by grantees.

Due to other governments – local – This balance represents grant payments due to local education agencies at June 30, primarily from the SBE Federal Department of Agriculture Fund and the SBE Federal Department of Education Fund and the Drivers Education Fund.

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES

(Continued)

Due to other funds - This balance represents amounts due to other State agencies for services provided during the fiscal year.

Deferred revenue – This balance represents grant revenues received for obligations not realized in the current fiscal year, primarily in the SBE Federal Department of Agriculture Fund and the SBE Federal Department of Education Fund.

Fund Balance, Reserved for Inventories – This balance represents a reservation of fund balance for the value of the commodities inventory in the SBE Federal Department of Agriculture Fund at June 30.

Fund Balance, Reserved for Long-term portion of loans receivable – This balance represents a reservation of fund balance for the portion of loans receivable due after the State's availability period and do not represent available spendable resources.

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ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

ANALYSIS OF ACCOUNTS RECEIVABLE

Receivables of the Illinois State Board of Education consist mainly of reimbursement or formula allocation amounts due to the Agency arising from its administration of federal and State grant awards. The principal grantors are agencies of the federal government or other State agencies; therefore, the Agency's receivables are considered fully collectible.

The following is a schedule of receivable balances (expressed in thousands) at June 30, 2005.

	<u>2005</u>	<u>2004</u>
Due from other government – federal	\$ 202,204	\$ 111,412
Due from other governments – local	21	24
Other receivables	131	169
Due from other State funds	964	728
Due from component units	<u>136</u>	<u>96</u>
Total receivables	\$ <u>203,456</u>	\$ <u>112,429</u>

Receivable amounts are recorded at year-end through the annual generally accepted accounting principles (GAAP) reporting process.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

SCHEDULE OF INDIRECT COST REIMBURSEMENTS

FOR THE YEARS ENDED JUNE 30,

(Unaudited)

Indirect cost reimbursements are primarily Letter of Credit draw downs of federal funds which are deposited directly into the General Revenue Fund in the State treasury. Indirect costs were based on a fixed rate of 5.0% of personal service expenditures for fiscal year 2004. Indirect costs were based on a fixed rate of 19.3% of direct costs for fiscal year 2005. This rate was negotiated with the cognizant federal agency, the U.S. Department of Education. Following are reimbursements deposited into the General Revenue Fund during fiscal years 2005 and 2004.

<u>Federal Programs/Grants</u>	<u>2005</u>	<u>2004</u>
Child Nutrition Grants	\$ 139,830	\$ 133,130
Illinois Purchased Care Review Board	-	6,704
Education for the Homeless Children and Youth	3,131	3,463
Eisenhower Professional Development State Grants	-	4,163
Even Start - State Educational Agencies	4,675	5,449
Math/Science Partnership	5,897	4,128
Migrant Education - Basic State Grant Programs	-	2,009
NCLB - State Assessment	224,201	-
Safe and Drug Free Schools and Communities - State Grants	11,486	16,282
Special Education - Grants to States	232,252	196,838
Special Education - Preschool Grants	18,910	22,332
Title I Grants to Local Education Agencies	120,732	135,197
Vocational Education - Basic Grants to States	28,993	52,361
Technology Literacy Challenge Program	11,196	12,601
Charter Schools	2,261	1,346
Title V - Innovative Education Program Strategies	13,005	16,866
Reading Excellence	-	5,334
Reading First State Grants	24,499	19,717
Rural Education	1,079	2,517
Title II - Teaching	22,019	28,232
Title III - English Language	23,634	24,205
Title IV - 21st Century	9,253	8,818
Virtual High School	-	434
Advanced Placement Fee Payment Program	2,920	2,132
Refugee Children Impact	1,771	4,427
Training School Health Personnel	6,529	4,416
Youth Opportunities Grant	-	861
Learn and Serve America	1,747	1,396
Total Indirect Cost Reimbursements	\$ 910,020	\$ 715,358

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

AGENCY FUNCTIONS AND PLANNING PROGRAM

The Illinois State Board of Education consists of a nine-member lay-citizen governing board and an administrative agency which is responsible to that Board. Members of the governing board are appointed by the Governor, with the advice and consent of the Senate. The appointments are based on statutory requirements designed to assure representation throughout the State and a balance of political affiliations. In September 2004, the legislation re-aligned the terms of seven of the nine board members and authorized the Governor to appoint seven new appointments to the State Board of Education.

The Board is responsible for matters related to public schools and selected private schools, serving students from pre-school through secondary school and vocational education. In support of these responsibilities, the Board is required to analyze the present and future aims, needs and requirements of education in the State. The specific powers and duties of the State Board of Education are described in Article 1A of the School Code (105 ILCS 5/1A et seq.).

The Governor, with the advice and consent of the Senate, appoints the Chair of the State Board of Education. The current chair is Jesse H. Ruiz.

The Board appoints the State Superintendent of Education. The current State Superintendent of Education, Dr. Randy J. Dunn, was appointed to an interim position on September 20, 2004.

The Board mailing address is:

Illinois State Board Education
100 North First Street
Springfield, Illinois 62777-0001

Planning Program

The work of the State Board of Education is directed toward the vision, mission, and goals of Illinois education:

Vision for Illinois Education

The Illinois public school will enable all students to succeed in post-secondary education and career opportunities, to be effective life-long, learners, and to participate actively in our democracy.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

AGENCY FUNCTIONS AND PLANNING PROGRAM
(Continued)

The actions of the Board are guided by its mission statement and three goals with fifteen strategic objectives.

State Board of Education Mission

The Illinois State Board of Education will provide leadership, advocacy and support for the work of school districts, policymakers, and citizens in making Illinois education second to none.

The goals and objectives are intended to assist the Agency in reaching the ultimate learning outcome for every student in Illinois. The Board ensures the goals and objectives are met through monitoring the performance strategies. The Board provides assistance to school districts in meeting the goals and related objectives listed below:

A. Enhancing Literacy

The Illinois State Board of Education fosters increased literacy by providing support for effective instruction and broad approaches to impact all students through the following strategies:

1. Establish literacy as the top education priority and assist schools in delivering high quality reading skills and literacy instruction beginning in early childhood and continuing through the high school grades.
2. Partner with other agencies to educate parents on how to be their child's first teachers to stimulate development in reading and writing.
3. Assist school's efforts to create and sustain early childhood and kindergarten program options (including full-day programs for at-risk students) that focus on early language and literacy.
4. Collaborate with higher education and other agencies on integrated teacher education and professional development programs themed around literacy.

B. Improving Educator Quality for All Children

1. Partner with higher education and other agencies to ensure educators have the preparation and background to teach successfully in rural and urban settings and work with at-risk students.
2. Provided high quality professional development in best practices for educators working in schools struggling to meet academic requirements.
3. Work with higher education and other entities to develop school leaders who are successful in raising student achievement.
4. Developing strategies to recruit, induct, mentor and retain educators to serve "hard-to-staff" schools for at least five years.
5. Create networks (including online resources) to provide support, induction and mentoring, especially for first-time teachers and those teachers moving from initial to standard certification.

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ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

AGENCY FUNCTIONS AND PLANNING PROGRAM
(Continued)

- C. Expanding Data-Informed School Management and Support Practices
1. Establish a variety of shared services and cost-savings initiatives.
 2. Leverage new state revenues to obtain public and private matching funds for innovative programs and services tied to the strategic planning initiatives.
 3. Provide or broker expert fiscal guidance, including online support services, for school districts.
 4. Foster and provide additional incentives for school district reorganization of multiple types.
 5. Increase school-based technology for data-informed decision-making at the building level, reflecting greater access to educational research and outcomes evaluation for school improvement.
 6. Establish a consistent role for the Regional Offices of Education and Intermediate Service Centers to be key providers of support services and hold them accountable for service delivery in conjunction with the Agency's responsibility to provide them with technical and fiscal support.

Following is a summary of State Board activities designed to achieve the above goals:

- Review and revise current statewide professional development programs to ensure focus on 21st century literacy skills
- Collect and disseminate best practices targeting 21st century literacy skills acquisition at key transition points.
- Support ongoing efforts with the Illinois PTA to expand parents' role as their children's first teachers.
- Develop a new approval and accreditation model for higher education preparation programs to ensure the ability of pre-service educators to work with all students
- Expand advance placement opportunities in high schools through teacher professional development activities and expand course offerings.
- Research 1st year teacher education graduates to determine needs for support, induction, mentoring and work with higher education institutions in responding to those needs.
- Explore the use of multi-state consortia to accomplish ongoing and strategic plan initiatives
- Convene a reorganization workgroup to explore additional options and incentives for legislative proposals to increase the number of school district reorganizations.
- Assess second-generation technology needs in school districts and advocate for funding proposals to meet those needs.

The Agency has established formal, written long-term objectives and short-term objectives and strategies along with time frames for achieving objectives. Key measurement criteria have been developed to assess progress toward objectives and accomplishments.

We believe this planning program is adequate.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

**AVERAGE NUMBER OF EMPLOYEES AND
AVERAGE SALARY PER EMPLOYEE**

(Unaudited)

Average number of employees by division are presented as follows on a two-year comparative basis:

	<u>2005</u>	<u>2004</u>
NUMBER OF EMPLOYEES AT JUNE 30		
State Operating Trust Funds	266	258
Federal Trust Funds	<u>228</u>	<u>221</u>
Total Agency employees at June 30	<u>494</u>	<u>479</u>
AVERAGE NUMBER OF EMPLOYEES		
State Operating and Trust Funds	272	283
Federal Trust Funds	<u>225</u>	<u>219</u>
Total average number of employees	<u>497</u>	<u>502</u>
Total personal service expenditures	<u>\$ 30,510,176</u>	<u>\$ 30,927,715</u>
Average salary per employee	<u>\$ 61,389</u>	<u>\$ 61,609</u>

Note: The above does not include the superintendents and assistant superintendents of the regional offices of education.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2005

ANNUAL STATISTICS – SUMMARY OF DEMOGRAPHIC DATA

(Unaudited)

Number of Public School Districts, 2003-2004

	<u>Operating</u>	<u>Nonoperating</u>	<u>Other</u>	<u>Total</u>
Elementary (Pre K-8)	381	0	0	381
Secondary (9-12)	103	2	0	105
Unit	404	0	0	404
State Operated (1)	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>
Total	<u>889</u>	<u>2</u>	<u>0</u>	<u>891</u>

(1) This includes the Department of Corrections School District.

Number of Public and Nonpublic Attendance Centers, 2003-2004

	<u>Public</u>	<u>Nonpublic (2)</u>	<u>Total</u>
Elementary	2,639	1,062	3,701
Junior High	609	N/A	609
High School	666	116	782
Special Education and Others	<u>359</u>	<u>75</u>	<u>434</u>
Total	<u>4,273</u>	<u>1,253</u>	<u>5,526</u>

(2) Voluntarily reported and registered with ISBE.

School Enrollment, 2003-2004

	<u>Public</u>	<u>Nonpublic (3)</u>	<u>Total</u>	<u>Percent</u>
Elementary (Pre K-8)	1,423,183	201,768	1,624,951	71.0%
Secondary (9-12)	<u>606,669</u>	<u>57,966</u>	<u>664,635</u>	<u>29.0%</u>
Total	<u>2,029,852</u>	<u>259,734</u>	<u>2,289,589</u>	<u>100.0%</u>
Percent	<u>70.9%</u>	<u>29.0%</u>		

(3) Nonpublic schools reported data on a voluntary basis. Voluntary registration of public elementary and secondary schools on an annual basis went into effect July 1, 1977.

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ANNUAL STATISTICS – SUMMARY OF DEMOGRAPHIC DATA
(Continued)

(Unaudited)

Racial – Ethnic Distribution of Statewide Public School Enrollment, 2003-2004

	<u>Students</u>	<u>Percent</u>
White Non-Hispanic	1,205,782	57.4%
Black Non-Hispanic	444,290	21.1%
Hispanic	370,942	17.7%
Asian-Pacific Islander	75,865	3.6%
American Indian-Alaskan	4,082	0.2%
Total	<u>2,100,961</u>	<u>100.0%</u>
 Total percent of minority students		 <u>42.6%</u>

Public School Bilingual Education Enrollment, 2003-2004

	<u>Chicago</u>	<u>Downstate</u>	<u>Total</u>	<u>Percent</u>
Spanish	58,447	67,476	125,923	80.1%
Polish	3,581	3,179	6,760	4.3%
Arabic	1,118	1,588	2,706	1.7%
Urdu	1,115	1,108	2,223	1.4%
Korean	206	1,541	1,747	1.1%
Cantonese (Chinese)	1,349	301	1,650	1.0%
Pilipino (Tagalog)	468	728	1,196	0.8%
Gujarati	199	967	1,166	0.7%
Vietnamese	533	587	1,120	0.7%
Serbian	591	329	920	0.6%
Russian	139	778	917	0.6%
Lithuanian	68	727	795	0.5%
Others	276	443	719	0.5%
Japanese	36	679	715	0.5%
Bosnian	432	247	679	0.4%
Mandarin	141	493	634	0.4%
Bulgarian	196	377	573	0.4%
Ukrainian	282	250	532	0.3%

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(Continued)

(Unaudited)

Public School Bilingual Education Enrollment, 2003-2004 (Continued)

	<u>Chicago</u>	<u>Downstate</u>	<u>Total</u>	<u>Percent</u>
Romanian	296	217	513	0.3%
Assyrian (Syriac, Aramaic)	275	199	474	0.3%
Albanian, Gheg (Kosovo/Maced)	204	232	436	0.3%
French	182	222	404	0.3%
Hindi	129	267	396	0.3%
Malayalam	37	290	327	0.2%
Farsi (Persian)	62	147	209	0.1%
Telugu (Telegu)	25	163	188	0.1%
Haitian-Creole	87	89	176	0.1%
Panjabi (Punjabi)	12	157	169	0.1%
Greek	52	109	161	0.1%
Italian	36	120	156	0.1%
Cambodian (Khmer)	98	55	153	0.1%
Albanian, Tosk (Albanian)	5	137	142	0.1%
Portuguese	36	97	133	0.1%
Yoruba	87	42	129	0.1%
German	18	110	128	0.1%
Lao	11	112	123	0.1%
Thai	50	67	117	0.1%
Turkish	38	77	115	0.1%
Others (Identified)	595	927	1,522	1.0%
Total	<u>71,512</u>	<u>85,634</u>	<u>157,146</u>	<u>100%</u>

Twelfth Grade Graduates, 2003-2004

	<u>Public</u>	<u>Nonpublic</u>	<u>Total</u>
Male	61,463	7,279	68,742
Female	63,300	7,389	70,689
Total	<u>124,763</u>	<u>14,668</u>	<u>139,431</u>

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(Continued)

(Unaudited)

Public Secondary School Dropouts by General and Ethnicity, 2003-2004

	<u>Female</u>	<u>Male</u>	<u>Total</u>
White Non-Hispanic	5,789	7,552	13,341
Black Non-Hispanic	4,991	6,356	11,347
Hispanic	3,040	4,062	7,102
Asian-Pacific Islander	210	371	581
American Indian-Alaskan	31	41	74
Total	18,384	14,061	32,445

Public School Pupil-to-Teacher Ratios

<u>School Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Special Education</u>
1988-89	20.3	17.1	5.2
1989-90	20.2	16.8	5.1
1990-91	19.8	16.7	5.0
1991-92	19.8	16.9	5.1
1992-93	19.7	17.2	5.0
1993-94	19.9	18.0	4.9
1994-95	19.7	18.1	4.9
1995-96	19.5	17.9	4.8
1996-97	20.1	18.7	Not available
1997-98	20.0	18.4	Not available
1998-99	19.6	18.3	Not available
1999-00	19.3	18.1	Not available
2000-01	19.1	18.0	Not available
2001-02	19.0	18.1	Not available
2002-03	18.4	18.2	Not available
2003-04	19.4	18.8	Not available

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(Continued)

(Unaudited)

Median/Mean Salaries for Selected Full-Time Personnel, 2003-2004

	<u>Median</u>	<u>Mean</u>
Regional Superintendents	\$ 88,126	\$ 89,738
District Superintendents	112,999	125,898
District Administrative Staff	110,989	111,125
Principals	89,846	92,617
Assistant Principals	87,235	85,496
Pupil Personnel Specialists	58,843	60,901
Supervisors	86,269	87,170
Special Ed/Speech Language Staff	50,039	52,721
Elementary Teachers (PreK-8)	49,410	51,674
Secondary Teachers (9-12)	55,750	59,800
All Classroom Teachers (PreK-12)	50,694	53,820
First-Year Teachers	34,210	35,114

Data excludes Chicago District #299. Salaries include board-paid retirement, extra-duty pay, flexible benefit plans, bonus payments and retirement incentives.

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SERVICE EFFORTS AND ACCOMPLISHMENTS

(Unaudited)

The general objective of Service Efforts and Accomplishments (SEA) reporting is to provide the user of the Agency's financial statements with the information necessary to evaluate the efficiency and effectiveness of the Agency's use of financial and other resources. This is especially important given the significance of the Illinois State Board of Education to the State as a whole and the ongoing public debate concerning education policy across the nation. The following data was extracted from the School Report Card: Statewide Trend Data.

Particular service efforts and accomplishments reported by the Agency are as follows:

Performance Indicators	Performance Measures	
Schools/Students	2005	2004
Number of Operating School Districts	889	886
Number of Schools with Report Card Information	3,884	3,907
Enrollment (in thousands)	2,063	2,060
Low-Income Rate	40.0%	39.0%
Limited English Proficient Rate	6.6%	6.7%
Dropout Rate	4.0%	4.6%
Attendance Rate	93.9%	94.2%
Student Mobility Rate	16.1%	16.8%
Chronic Truancy Rate	2.2%	2.1%
Graduation Rate	87.4%	86.5%

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SERVICE EFFORTS AND ACCOMPLISHMENTS
(Continued)

(Unaudited)

Performance Indicators	Performance Measures		
Student Achievement – Percent of Students Meeting or Exceeding State Performance Standards	2005	2004	
Reading	Third Grade	67	65
	Fifth Grade	60	61
	Eight Grade	73	67
	Eleventh Grade	60	57
Mathematics	Third Grade	79	79
	Fifth Grade	73	72
	Eight Grade	54	54
	Eleventh Grade	53	53
Writing	Third Grade	0	64
	Fifth Grade	0	70
	Eight Grade	0	64
	Eleventh Grade	0	60
Science	Fourth Grade	71	68
	Seventh Grade	75	74
	Eleventh Grade	53	53
Social Science	Fourth Grade	0	61
	Seventh Grade	0	59
	Eleventh Grade	0	59
ACT Composite Score (schools with Report Card Information)	20	20	
Percent of Class Taking ACT	94	91	

Note: As part of implementing No Child Left Behind (NCLB) requirements, testing of student achievement in the subject areas of social science and writing was discontinued as of fiscal year 2005.

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SERVICE EFFORTS AND ACCOMPLISHMENTS

(Continued)

(Unaudited)

Performance Indicators	Performance Measures	
Teacher Information	2005	2004
Total Number of Teachers (FTE)	128,079	125,702
Years of Teaching Experience (average)	13.6	13.8
Percent with Graduate Degree	49.1	48.6
Students Per Teacher (elementary)	18.9	19.4
Students Per Teacher (secondary)	18.4	18.8
Students Per Administrator	209.5	208.7
Teacher Salary (average)	\$55,558	\$55,446
Administrator Salary (average)	\$97,051	\$93,976
 Financial Information (03-04)		
Instructional Expenditures Per Pupil	\$5,216	\$5,022
Operational Expenditures Per Pupil	\$8,786	\$8,482
 <u>Percent of Expenditures by Function</u>		
Instruction	46.9	46.1
General Administration	2.6	2.6
Support Services	31.5	31.6
Other Expenditures	19.0	19.7
 <u>Percent of Expenditures by Fund</u>		
Education	71.5	70.1
Operations and Maintenance	8.4	8.9
Transportation	3.6	3.5
Bond and Interest	6.5	6.0
All Other	10	11.5

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EMERGENCY PURCHASES AND ILLINOIS FIRST PROJECTS

Emergency Purchases

According to Agency officials, and based on our review of Agency records, the Agency had no emergency purchases during the current fiscal year.

Illinois First Projects

According to Agency officials, and based on our review of Agency records, the Agency had no Illinois First Projects during the current period.