

**State of Illinois**  
**REGIONAL OFFICE OF EDUCATION #1**  
**FINANCIAL AUDIT**  
(In Accordance with the Single Audit Act and OMB Circular A-133)  
FOR THE YEAR ENDED JUNE 30, 2005

Performed as Special Assistant Auditors  
for the Office of the Auditor General

# REGIONAL OFFICE OF EDUCATION #1

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REGIONAL OFFICE OF EDUCATION #1

OFFICIALS

Regional Superintendent

(Current and during audit period)

Mr. Raymond Scheiter

Assistant Regional Superintendent

(Current and during audit period)

Mr. Wilfred Flesner

Offices are Located at:

Adams County Courthouse  
507 Vermont Street  
Quincy, IL 62301

and

121 East Washington  
Pittsfield, IL 62363

REGIONAL OFFICE OF EDUCATION #1

COMPLIANCE REPORT SUMMARY

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

AUDITOR’S REPORTS

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

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	5	5
Repeated audit findings	2	3
Prior recommendations implemented or not repeated	3	3

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)		
05-1	11	Reportable condition of co-mingling the accounting transactions of two entities
05-2	12	Some programs did not disburse excess grant funds
05-3	13	Bank accounts were not properly reconciled for June 2005
05-4	14 - 15	The regional office was out of compliance with mandates related to annual distribution reports and record examination at school districts
05-5	16	Expenditure report for education fund did not agree to general ledger

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

None

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

04-2	21	Some invoices had not been properly approved for payment
04-4	21	Duties are not sufficiently segregated to provide control over cash
04-5	21	Data backup procedures allowed the loss of all non-accounting data

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an informal exit conference on October 6, 2005. Attending were Raymond Scheiter, Regional Superintendent of Schools, Ken Flesner, Assistant Regional Superintendent, and Shawn Williamson of Fick, Eggemeyer & Williamson, CPA’s. Responses to the recommendations were provided by Ken Flesner in a letter dated October 7, 2005.

## **FINANCIAL STATEMENT REPORT**

### **SUMMARY**

The audit of the accompanying basic financial statements of the Regional Office of Education #1 was performed by Fick, Eggemeyer & Williamson, CPA's.

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



INDEPENDENT AUDITOR'S REPORT

The 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, each major fund, and the aggregate remaining fund information of the Regional Office of Education #1, as of and for the year ended June 30, 2005, which collectively comprise the Regional Office of Education #1's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Regional Office of Education #1'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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Regional Office of Education #1, 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 October 6, 2005 on our consideration of the Regional Office of Education #1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 Management Discussion and Analysis and the Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 22-26 and 47, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional Office of Education #1's basic financial statements. The combining and individual non-major fund financial statements, budgetary comparison schedules and the Schedule of Disbursements to School District Treasurers and Other Entities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual non-major fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities, and the Schedule of Expenditures of Federal Awards 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.

*Fick, Eggemeyer & Williamson*

Fick, Eggemeyer, & Williamson, CPA's  
October 6, 2005



# *Fick, Eggemeyer & Williamson*

Certified Public Accountants, PC



## 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*

The 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, each major fund, and the aggregate remaining fund information of the Regional Office of Education #1, as of and for the year ended June 30, 2005, which collectively comprise the Regional Office of Education #1's basic financial statements and have issued our report thereon dated October 6, 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 Regional Office of Education #1's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions 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 Regional Office of Education #1'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 Questioned Costs as items 05-1 and 05-3.

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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regional Office of Education #1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 05-2. We also noted certain immaterial instances of noncompliance, which is required by the *Guidelines to Auditing and Reporting for a Regional Office of Education*, to be reported on the accompanying Schedule of Findings and Questioned Costs as items 05-4 and 05-5.

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



Fick, Eggemeyer, & Williamson, CPA's  
October 6, 2005



**Fick, Eggemeyer  
& Williamson**

**Certified Public Accountants, PC**



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133

The Honorable William G. Holland  
Auditor General  
State of Illinois

Compliance

We have audited the compliance of the Regional Office of Education #1 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Regional Office of Education #1's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Regional Office of Education #1's management. Our responsibility is to express an opinion on the Regional Office of Education #1's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Regional Office of Education #1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Regional Office of Education #1's compliance with those requirements.

In our opinion, the Regional Office of Education #1 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. The results of our auditing procedures disclosed no instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133.

### Internal Control Over Compliance

The management of the Regional Office of Education #1 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Regional Office of Education #1's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited 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 the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Fick, Eggemeyer & Williamson*

Fick, Eggemeyer, & Williamson, CPA's  
October 6, 2005

REGIONAL OFFICE OF EDUCATION #1  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2005

Section I - Summary of Auditor's Results
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**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified \_\_\_\_\_ Yes      X   No

Reportable conditions identified that are not considered to be material weaknesses \_\_\_\_\_   X   Yes    \_\_\_\_\_ No

Noncompliance material to financial statements noted? \_\_\_\_\_   X   Yes    \_\_\_\_\_ No

**Federal Awards**

Internal control over major programs:

Material weaknesses identified? \_\_\_\_\_ Yes      X   No

Reportable conditions identified that are not considered to be material weaknesses \_\_\_\_\_ Yes      X   No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) \_\_\_\_\_ Yes      X   No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.181	Special Education Grants Infants / Toddlers

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

Auditee qualified as low risk auditee? \_\_\_\_\_ Yes      X   No

REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2005

Section II - Financial Statement Findings

FINDING NO. 05-1  
Repeated from 04-1, 03-4

**TRANSACTIONS OF TWO ENTITIES ARE RECORDED IN ONE ACCOUNTING SYSTEM**

**Criteria/Specified Requirement:**

According to governmental accounting standards, transactions of two separate primary government units should not be co-mingled in one general ledger system. According to GASB 14, a special purpose government is a primary government if it has the following three characteristics: a separately elected governing board, fiscal independence, and status as a separate legal entity.

**Condition:**

During the past fiscal year, the Regional Office of Education #1 recorded all revenue and expense transactions of the West Central Regional System #240 (WCR) in its general ledger system. The WCR has a separately elected board. It is a legally separate entity, and it is fiscally independent. The WCR administers vocational education services for the region, and Regional Office of Education #1 acts as a fiscal agent for the WCR. At June 30, 2005 the Regional Office of Education #1 had errantly deposited \$11,361 of its cash into the WCR bank account and had deposited \$37,789 of WCR's cash into the Regional Office of Education's bank account. Subsequent to year-end, the errant deposits were transferred to the correct accounts.

**Effect:**

The co-mingling of funds overstated the Regional Office of Education #1's cash balance per the accounting system.

**Cause:**

Rather than maintaining a separate general ledger system for the WCR, the Regional Office of Education is treating the WCR as a special revenue fund of the Regional Office of Education #1.

**Recommendation:**

The Regional Office of Education #1 should create a separate set of records in order to eliminate the co-mingling of the Regional Office of Education #1 and WCR accounting activity. The Regional Office of Education #1 should also make an increased effort to deposit funds into the correct entity bank accounts.

**Management's Response:**

Management of the Regional Office of Education #1 agrees with the finding. At the beginning of fiscal year 2006, the Regional Office of Education implemented a new general ledger system in order to separately record transactions of the WCR.

REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2005

Section II - Financial Statement Findings

FINDING NO. 05-2  
Repeated from 04-3, 03-6

SOME PROGRAMS DID NOT DISBURSE EXCESS GRANT FUNDS

**Criteria/Specified Requirement:**

The Illinois Grant Funds Recovery Act (30 ILCS 705/4d) requires that all grant funds that have not been expended or obligated by the end of the grant period be returned to the granting agency within 45 days after the end of the period.

**Condition:**

The Regional Office of Education #1 had multiple programs with excess cash balances at June 30, 2005 that had not been obligated, and the balances were not refunded to the granting agencies by August 15, 2005. The following grant-funded programs had period-end cash balances in excess of \$500: Safe and Drug Free Schools \$4,439; Truants Alternative Program \$2,258; Standards Aligned Classrooms \$24,866; Scientific Literacy Math \$3,471; Scientific Literacy Program \$6,889; Project Success \$3,819; and Illinois Tobacco Prevention \$547.

**Effect:**

Noncompliance with the Grant Funds Recovery Act.

**Cause:**

When the Regional Office of Education #1's management monitored current year grant expenditure levels, it did not consider excess cash balances carrying over from prior years.

**Recommendation:**

The Regional Office of Education #1 should obtain, from bookkeeping, accurate reconciled reports at year-end which consider the following: beginning fiscal year cash balances; current fiscal year grant income; current fiscal year program expenses; current fiscal year interest allocated to programs; and year-end cash balances by program. The ROE should contact granting agencies to determine a proper means of disposition of excess grant funds at period end.

**Management's Response:**

Management of the Regional Office of Education #1 agrees with the finding. The Regional Office of Education plans to obtain, from bookkeeping, accurate reconciled reports, at least annually, which consider: beginning fiscal year cash balances, current fiscal year grant income, current fiscal year program expenses, current fiscal year interest allocated to programs, and year-end cash balances by program. Furthermore, granting agencies will be notified of any excess grant funds, according to State forms, at period end. Excess funds with no activity during the previous two fiscal years will be consolidated.

REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2005

Section II - Financial Statement Findings

FINDING NO. 05-3  
Repeated from 03-3, 02-3

**BANK ACCOUNTS WERE NOT PROPERLY RECONCILED FOR JUNE 2005**

**Criteria/Specified Requirement:**

Sound internal control requires bank reconciliations to be performed to insure that all transactions have been recorded. The bank reconciliation process should include identifying and correcting all discrepancies between the bank records and the books.

**Condition:**

For June 2005 (fiscal year end), the Regional Office of Education #1's bank reconciliation for the general checking account included \$24,897 of net uncorrected discrepancies. The Regional Office of Education #1 had errantly deposited \$11,361 of its cash into the WCR bank account and had deposited \$37,789 of WCR's cash into the Regional Office of Education's bank account. The remaining \$1,531 of discrepancies consisted of various unrecorded transactions.

**Effect:**

The effect of not properly performing reconciliations resulted in the understatement of available cash balances at fiscal year end.

**Cause:**

The Regional Office of Education #1 did not properly identify and correct cash discrepancies on a monthly basis as part of the bank statement reconciliation process.

**Recommendation:**

The Regional Office of Education #1 should reconcile all bank statements every month and correct any discovered discrepancies in a timely manner.

**Management's Response:**

Management of the Regional Office of Education #1 agrees with the finding. The Regional Office of Education #1 plans to perform a monthly reconciliation of all bank accounts and correct any discovered discrepancies in a timely manner.

REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2005

Section II - Financial Statement Findings

FINDING NO. 05-4

NONCOMPLIANCE WITH STATE MANDATES

**Criteria/Specified Requirement:**

A) The Illinois School Code 105 ILCS 5/3-14.17 requires the Regional Superintendent to notify the presidents of boards of trustees and the clerks and secretaries of school districts, on or before September 30, annually, of the amount of money distributed by him/her to the treasurer, with the dates of distribution.

B) The Illinois School Code 105 ILCS 5/3-14.11 states that the Regional Superintendent shall examine at least once each year all books, accounts, and vouchers of every school treasurer in his educational service region, and if he finds any irregularities in them, to report them at once, in writing, to the trustees in Class II county school units, to the respective school boards of those school districts which form a part of a Class II county school unit but which are not subject to the jurisdiction of the trustees of schools of any township in which any such district is located, or to the respective school boards of the district in Class I county school units whose duty it shall be to take immediately such action as the case demands.

This mandate has existed in its current form since at least 1953.

**Condition:**

A) The Regional Office of Education #1 did not notify the presidents of boards of trustees and the clerks and secretaries of school districts, on or before September 30, of the dates of distribution of money by him to the school treasurer.

B) The Regional Office of Education #1 is not examining all books, accounts, and vouchers of every school treasurer in his educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent has been examining school district financial statements on an annual basis. While this review involves the finances of school treasurers, it is not in the level of detail required by 105 ILCS 5/3-14.11.

**Effect:**

A) The Regional Office of Education #1 did not comply with statutory requirements.

B) The Regional Office of Education #1 did not comply with statutory requirements.

**Cause:**

A) The Regional Office of Education #1 has a policy of only preparing and submitting distribution reports to the districts upon request of the districts' external auditors.

B) The level of financial review performed by the Regional Superintendent is not adequate to comply with the compliance statute.



REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2005

Section II - Financial Statement Findings

FINDING NO. 05-4 (Continued)

**Recommendation:**

The Regional Office of Education #1 should forward the necessary financial information as required by Illinois Statute to the proper entities prior to September 30 of each year. The Regional Office of Education #1 should comply with the reporting requirements and deadlines and maintain evidence to support the submission of required information. The Regional Office of Education #1 should also comply with the requirements of 105 ILCS 5/3-14.11. If the Regional Office believes the statutory mandate is obsolete or otherwise unnecessary, then it should seek legislative action to revise the statute accordingly.

**Management's Response:**

A) Management of the Regional Office of Education #1 agrees with the finding. The Regional Office of Education #1 intends to start sending the distribution report to every district each year by September 30.

B) In 1953, there were 102 county superintendents and their duties were a lot less numerous than today. Few schools had budgets that exceeded \$500,000. Under such conditions, this law probably made sense. During the past 50+ years, various practices have evolved eliminating the need for this type of monitoring. In the 21<sup>st</sup> century, all schools have multi-million dollar budgets that are: 1.) audited annually by professionally certified outside auditing firms; 2.) audits are filed for public record & inspection; and 3.) this is tracked through the process by the procedures mentioned above in the section titled "Condition". Requiring the ROE's to do another review would be redundant, costly, and require the hiring of teams of new staff members in each ROE to carry out the task. The latter begs the question of which level(s) of government would bear the cost to carry out this task and how costly might that be to reinstitute the practice?

We are grateful for the OAG's assistance in calling this to our collective attention because it provides the Regional Offices of Education with additional justification to request that the General Assembly delete this and other obsolete sections from the statutes. We will seek a legislative solution to this and other obsolete passages.

REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2005

Section II - Financial Statement Findings

FINDING NO. 05-5

**EXPENDITURE REPORT FOR EDUCATION FUND DID NOT AGREE TO GENERAL LEDGER**

**Criteria/Specified Requirement:**

The expenditure report for an education program submitted to the Illinois State Board of Education should agree with the expenditures reported on the Regional Office of Education #1's general ledger.

**Condition:**

A comparison of an expenditure report to the Regional Office of Education #1's general ledger revealed an instance where the totals on the final 2005 expenditure report did not agree with the Regional Office of Education #1's books by \$4,137, resulting in an inaccurate expenditure report. The expenditure report submitted to the Illinois State Board of Education for the Title I – Reading First Part B SEA Funds program incorrectly reported expenditures of \$18,503, while the general ledger contained the correct expenditure total of \$22,640.

**Effect:**

Inaccurate expenditure report from which reimbursements are made.

**Cause:**

The Regional Office of Education #1 personnel responsible for the expenditure report was attempting to agree the expenditure report to the original budgeted amount.

**Recommendation:**

The Regional Office of Education #1 personnel responsible for the report should compare their expenditures to their general ledger accounts and make necessary corrections before filing the reports.

**Management's Response:**

Management of the Regional Office of Education #1 agrees with the finding. Two people will check the general ledger numbers against all expenditure report line items to make sure they match before they are submitted to the Illinois State Board of Education.

REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2005

Section III: Federal Award Findings

NONE

Reportable Conditions:

NONE

REGIONAL OFFICE OF EDUCATION #1  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
June 30, 2005

**Corrective Action Plan**  
**Finding No. 05-1**

**Condition:** During the past fiscal year, the Regional Office of Education #1 recorded all revenue and expense transactions of the West Central Regional System #240 (WCR) in its general ledger system. The WCR has a separately elected board. It is a legally separate entity, and it is fiscally independent. The WCR administers vocational education services for the region, and Regional Office of Education #1 acts as a fiscal agent for the WCR. At June 30, 2005 the Regional Office of Education #1 had errantly deposited \$11,361 of its cash into the WCR bank account and had deposited \$37,789 of WCR's cash into the Regional Office of Education's bank account. Subsequent to year-end, the errant deposits were transferred to the correct accounts.

**Plan:** At the beginning of fiscal year 2006, the Regional Office of Education implemented a new general ledger system in order to separately record transactions of the WCR.

**Contact Name:** Regional Superintendent Raymond Scheiter

**Anticipated Completion Date:** July 2005

**Corrective Action Plan**  
**Finding No. 05-2**

**Condition:** The Regional Office of Education #1 had multiple programs with excess cash balances at June 30, 2005 that had not been obligated, and the balances were not refunded to the granting agencies by August 15, 2005. The following grant-funded programs had period-end cash balances in excess of \$500: Safe and Drug Free Schools \$4,439; Truants Alternative Program \$2,258; Standards Aligned Classrooms \$24,866; Scientific Literacy Math \$3,471; Scientific Literacy Program \$6,889; Project Success \$3,819; and Illinois Tobacco Prevention \$547.

**Plan:** The Regional Office of Education plans to obtain, from bookkeeping, accurate reconciled reports, at least annually, which consider: beginning fiscal year cash balances, current fiscal year grant income, current fiscal year program expenses, current fiscal year interest allocated to programs, and year end cash balances by program. Furthermore, granting agencies will be notified of any excess grant funds, according to State forms, at period end. Excess funds with no activity during the previous two fiscal years will be consolidated.

**Contact Name:** Regional Superintendent Raymond Scheiter

**Anticipated Completion Date:** November 2005

REGIONAL OFFICE OF EDUCATION #1  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
June 30, 2005

**Corrective Action Plan**  
**Finding No. 05-3**

**Condition:** For June 2005 (fiscal year end), the Regional Office of Education #1's bank reconciliation for the general checking account included \$24,897 of net uncorrected discrepancies. The Regional Office of Education #1 had errantly deposited \$11,361 of its cash into the WCR bank account and had deposited \$37,789 of WCR's cash into the Regional Office of Education's bank account. The remaining \$1,531 of discrepancies consisted of various unrecorded transactions.

**Plan:** The Regional Office of Education #1 plans to perform a monthly reconciliation of all bank accounts and correct any discovered discrepancies in a timely manner.

**Contact Name:** Regional Superintendent Raymond Scheiter

**Anticipated Completion Date:** November 2005

**Corrective Action Plan**  
**Finding No. 05-4**

**Condition:** A) The Regional Office of Education #1 did not notify the presidents of boards of trustees and the clerks and secretaries of school districts, on or before September 30, of the dates of distribution of money by him to the school treasurer.

B) The Regional Office of Education #1 is not examining all books, accounts, and vouchers of every school treasurer in his educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent has been examining school district financial statements on an annual basis. While this review involves the finances of school treasurers, it is not in the level of detail required by 105 ILCS 5/3-14.11

**Plan:** A) Management of the Regional Office of Education #1 agrees with the finding. The Regional Office of Education #1 intends to start sending the distribution report to every district each year by September 30.

B) The Regional Office of Education will seek legislative solution to this and other obsolete passages.

**Contact Name:** Regional Superintendent Raymond Scheiter

**Anticipated Completion Date:** August 2006

REGIONAL OFFICE OF EDUCATION #1  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
June 30, 2005

**Corrective Action Plan**

**Finding No. 05-5**

**Condition:** A comparison of an expenditure report to the Regional Office of Education #1's general ledger revealed an instance where the totals on the final 2005 expenditure report did not agree with the Regional Office of Education #1's books, resulting in an inaccurate expenditure report.

**Plan:** The Regional Office of Education #1 plans to have two people check the general ledger against all expenditure reports before they are submitted to the Illinois State Board of Education.

**Contact Name:** Regional Superintendent Raymond Scheiter

**Anticipated Completion Date:** June 2006

REGIONAL OFFICE OF EDUCATION #1  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2005

<u>Prior Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
04-1	Transactions of two entities are recorded in one accounting system.	Repeated as 05-1.
04-2	Some invoices had not been properly approved for payment.	Invoices were properly approved for payment for fiscal 2005.
04-3	Several programs did not disburse excess grant funds by the necessary date.	Repeated as 05-2.
04-4	Duties are not sufficiently segregated to provide control over cash.	Duties have been modified so as to provide sufficient internal control over cash.
04-5	Data backup procedures allowed the loss of all non-accounting data.	Backup procedures have been improved so as to minimize the possibility of data loss.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**



## MANAGEMENT DISCUSSION AND ANALYSIS

Regional Office of Education #1 (ROE) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the ROE's financial statements, which follow.

### 2005 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$493,837 in fiscal year 2004 (FY04) to \$446,299 in fiscal year 2005 (FY05), while General Fund expenditures increased from \$418,882 in FY04 to \$426,338 in FY05. This resulted in an increase in the ROE's General Fund balance from \$128,002 in FY04 to \$147,306 in FY05 (less a transfer of \$657), a 15% increase from the prior year.
- Education Fund revenues increased from \$1,005,366 in fiscal year 2004 (FY04) to \$1,048,648 in fiscal year 2005 (FY05), while Education Fund expenditures increased from \$1,011,142 in FY04 to \$1,012,285 in FY05. This resulted in an increase in the Education Fund balance from \$345,899 in FY04 to \$379,452 in FY05, a 10% increase from the prior year.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the ROE's financial activities.
- The Government-wide Financial Statements consist of a statement of net assets and a statement of activities. Those provide information about the activities of the ROE as a whole and present an overall view of the ROE's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the ROE's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the ROE's budget for the year, and Supplementary Information provides detailed information about the nonmajor funds.

### REPORTING THE AGENCY AS WHOLE

#### *The Statement of Net Assets and the Statement of Activities*

The Government-wide statements report information about the ROE as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all the ROE's assets and liabilities. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide statements report the ROE's net assets and how they have changed. Net assets – the difference between the ROE's assets and liabilities – are one way to measure the agency's financial health or position.

- Over time, increases or decreases in the ROE's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the ROE's overall health, additional non-financial factors, such as change in the ROE's responsibilities and staffing, need to be considered.

In the Government-wide financial statements, the ROE's activities are reported as:

- *Governmental activities:* All of the ROE's services are included here, such as Regional Safe Schools instruction, drug prevention education, instructional staff support services and administration. Federal and state grants finance most of these activities.

### *Fund Financial Statements*

The fund financial statements provide detailed information about the ROE's funds, focusing on its most significant or "major" funds – not the ROE as a whole. Funds are accounting devices the ROE uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law. The ROE established other funds to control and manage money for particular purposes, such as accounting for state and federal grants.

The ROE has two kinds of funds:

- 1) Governmental funds account for all of the ROE's services. These focus on how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the ROE's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information immediately following each of the governmental fund statements explains the relationship or difference between the two statements. The ROE's governmental funds include: 1) the General Fund, and 2) the Special Revenue funds.
- 2) Fiduciary funds account for funds received from the State Board of Education and distributed to school districts and other organizations in the region.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The ROE's net assets at the end of fiscal year 2005 totaled \$667,688. This is compared to \$583,432 at the end of fiscal year 2004. The analysis that follows provides a summary of the ROE's net assets at June 30, 2005 & 2004 for governmental activities.

<b>Condensed Statement of Net Assets</b>		
<u>Governmental Activities</u>		
	<u>2005</u>	<u>2004</u>
Current and other assets	\$691,483	\$695,628
Capital Assets	<u>57,707</u>	<u>39,688</u>
<b>Total assets</b>	<b><u>749,190</u></b>	<b><u>735,316</u></b>
Other liabilities	<u>81,502</u>	<u>151,884</u>
<b>Total liabilities</b>	<b><u>81,502</u></b>	<b><u>151,884</u></b>
Net assets:		
Invested in capital assets	57,707	39,688
Restricted	392,037	349,175
Unrestricted	<u>217,944</u>	<u>194,569</u>
<b>Total net assets</b>	<b><u>\$667,688</u></b>	<b><u>\$583,432</u></b>

The ROE's combined net assets increased by \$84,256 from FY04. The increase occurred primarily in the governmental funds as a result of decreasing expenditures by a greater amount than the decrease in revenues during the year ended June 30, 2005.

The following analysis shows the changes in net assets for the year ended June 30, 2005 & 2004.

<b>Change in Net Assets</b>		
<u>Governmental Activities</u>		
	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 1,007,435	\$ 994,682
Capital grants and contributions	25,753	5,366
General revenues:		
Registration, certification & permit fees	58,450	45,722
Member dues	3,656	13
Local sources	161,155	92,386
State sources	122,545	188,984
On-behalf payments	206,939	207,773
Interest income	<u>7,719</u>	<u>2,930</u>
<b>Total Revenues</b>	<b><u>1,593,652</u></b>	<b><u>1,537,856</u></b>
Program expenses		
Instructional services	1,302,457	1,273,920
Administrative expenses		
On-behalf payments - state	<u>206,939</u>	<u>207,773</u>
<b>Total Expenses</b>	<b><u>1,509,396</u></b>	<b><u>1,481,693</u></b>
Change in net assets	84,256	56,163
Net assets beginning of year	<u>583,432</u>	<u>527,269</u>
Net assets end of year	<b><u>\$ 667,688</u></b>	<b><u>\$ 583,432</u></b>

Operating grants and contributions from local, state and federal sources account for 63.2% of the total revenue. The ROE's expenses primarily relate to instructional services, which account for 86.3% of the total expenses.

## **Governmental activities**

Revenues from governmental activities were \$1,593,652 and expenses were \$1,509,396. In a difficult budget year, the ROE was able to reduce expenditures sufficiently to yield an increase in net assets.

## **FINANCIAL ANALYSIS OF THE ROE'S FUNDS**

As previously noted, the Regional Office of Education #1 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The ROE's governmental funds reported combined fund balances of \$609,981, above last year's ending fund balances of \$543,744. The primary reason for the increase in combined fund balances in FY05 was reduced expenses.

## **Governmental Fund Highlights**

- The ROE's increasing General Fund position is the product of many factors, including a decrease in expenditures for services to school districts. A decrease in grant revenues was more than offset by the ROE's decrease in expenditures, thereby yielding an increase in general fund balance.
- Some factors causing a decline in services provided by the ROE are increases in expenses related to GED testing, staff cutbacks due to grant reductions and increased responsibility for certificate registration and student attendance.

## **BUDGETARY HIGHLIGHTS**

The ROE's Board of Directors was not required to adopt annual budgets for all funds under its control and is not legally required to do so. The ROE submits its budget to the State Board of Education and all other grantors that require it. The budgets may be amended during the year utilizing procedures prescribed by the particular grantor. Over the course of the year, the ROE amended certain operating budgets to reflect additional revenue and expenditures associated with the additional services needed and provided. Budgetary comparison schedules are provided in the financial statements on pages 56-59.

## **CAPITAL ASSETS**

At June 30, 2005, the ROE had invested \$57,707, net of accumulated depreciation, in various capital assets including computers, furniture and equipment. Current year asset additions were \$46,120.

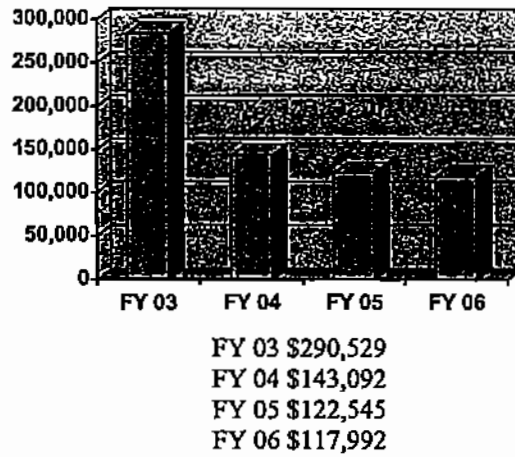
The ROE had depreciation expense of \$28,101 in FY05 and total accumulated depreciation of \$194,933 at June 30, 2005. More detailed information about capital assets is available in Note 10 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the ROE was aware of several existing circumstances that could significantly affect its financial health in the future:

- The ROE has experienced declining funding for ROE operations in the past three years.
- The ROE expects the ROE operations grant to decline again for fiscal 2006.

## ROE Operations Grant



The ROE operations grant has decreased 59.4% through FY 06.

### CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the ROE's financial statement users with a general overview of the ROE's finances and to demonstrate the ROE's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Assistant Superintendent of the Regional Office of Education #1, 507 Vermont, Quincy, IL 62301.

## **Basic Financial Statements**

REGIONAL OFFICE OF EDUCATION #1  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

		Governmental Activities
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$	637,309
Grants receivable		18,359
Accounts receivable		19,105
Due from other agency		11,361
Prepaid items		5,349
Total current assets		691,483
<b>Noncurrent assets:</b>		
Capital assets, being depreciated, net		57,707
Total noncurrent assets		57,707
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>749,190</b>
 <b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$	36,887
Due to other agency		37,789
Payroll taxes & liabilities payable		7,026
Total current liabilities		81,502
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b>81,502</b>
 <b>NET ASSETS</b>		
Investment in capital assets	\$	57,707
Restricted net assets		392,037
Unrestricted net assets		217,944
<b>TOTAL NET ASSETS</b>	<b>\$</b>	<b>667,688</b>

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

REGIONAL OFFICE OF EDUCATION #1  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:				
Instructional Services:				
Salaries & benefits	\$ 602,998	\$ 490,193	\$ -	\$ (112,805)
Purchased services	227,932	139,172	-	(88,760)
Travel & entertainment	59,200	32,224	-	(26,976)
Supplies & materials	47,883	48,795	-	1,112
Institute expenses & workshops	9,789	-	-	(9,789)
Capital outlay	-	-	25,753	25,753
Depreciation	28,101	-	-	(28,101)
Communication	14,777	-	-	(14,777)
Postage & copies	7,912	1,319	-	(6,593)
Payments to other governmental units	295,889	295,732	-	(157)
Other	8,176	-	-	(8,176)
Administrative:				
On-behalf payments - state	206,939	-	-	(206,939)
Total governmental activities	1,509,396	1,007,435	25,753	(476,208)
Total primary government	\$ 1,509,396	\$ 1,007,435	\$ 25,753	\$ (476,208)

General Revenues:

Registration, certification and permit fees	58,450
Member dues	3,656
Local sources	161,155
State sources	122,545
On-behalf payments	206,939
Interest income	7,719
Transfers	-
Total general revenues, special, extraordinary items and transfers	560,464
Changes in net assets	84,256
Net assets - beginning	583,432
Net assets - ending	\$ 667,688

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



REGIONAL OFFICE OF EDUCATION #1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	General Fund	Education Fund	Other Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 182,846	\$ 385,885	\$ 68,578	\$ 637,309
Grants receivable	-	18,359	-	18,359
Accounts receivable	1,960	-	17,145	19,105
Due from other agency	11,361	-	-	11,361
Prepaid Items	884	4,465	-	5,349
<b>TOTAL ASSETS</b>	<b>\$ 197,051</b>	<b>\$ 408,709</b>	<b>\$ 85,723</b>	<b>\$ 691,483</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 4,930	\$ 29,257	\$ 2,500	\$ 36,687
Due to other agency	37,789	-	-	37,789
Payroll taxes & liabilities payable	7,026	-	-	7,026
<b>TOTAL LIABILITIES</b>	<b>49,745</b>	<b>29,257</b>	<b>2,500</b>	<b>81,502</b>
<b>FUND BALANCES</b>				
Fund balance - reserved	-	392,037	-	392,037
Fund balance - unreserved and undesignated	147,306	(12,585)	83,223	217,944
<b>TOTAL FUND BALANCES</b>	<b>147,306</b>	<b>379,452</b>	<b>83,223</b>	<b>609,981</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 197,051</b>	<b>\$ 408,709</b>	<b>\$ 85,723</b>	<b>\$ 691,483</b>

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

REGIONAL OFFICE OF EDUCATION #1  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2005

Total Fund balance - governmental funds	\$ 609,981
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. The cost of assets is \$252,640 and the accumulated depreciation is \$194,933	<u>57,707</u>
Net assets of governmental activities	<u>\$ 667,688</u>

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

REGIONAL OFFICE OF EDUCATION #1  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2005

Revenues:	General Fund	Education Fund	Other Non-Major Funds	Total Governmental Funds
Registration, certification and permit fees	\$ 29,795	\$ 7,073	\$ 21,582	\$ 58,450
Member dues	-	-	3,656	3,656
Local sources	85,694	7,488	67,973	161,155
State sources	122,545	506,665	2,360	631,570
State sources - on behalf payments	206,939	-	-	206,939
Federal sources	-	524,163	-	524,163
Interest income	1,326	3,259	3,134	7,719
Total revenues	<u>446,299</u>	<u>1,048,648</u>	<u>98,705</u>	<u>1,593,652</u>
Expenditures:				
Salaries & benefits	126,933	452,191	23,874	602,998
Salaries & benefits - on behalf payments	206,939	-	-	206,939
Purchased services	58,581	157,051	12,300	227,932
Travel & entertainment	7,944	41,955	9,301	59,200
Supplies & materials	2,424	42,689	2,570	47,683
Institute expenses & workshops	-	-	9,789	9,789
Capital outlay	-	17,751	28,369	46,120
Communication	11,210	2,252	1,315	14,777
Postage & copies	5,441	2,471	-	7,912
Payments to other governmental units	-	295,889	-	295,889
Other	6,866	36	1,274	8,176
Total expenditures	<u>426,338</u>	<u>1,012,285</u>	<u>88,792</u>	<u>1,527,415</u>
Excess (deficiency) of revenue over expenditures	<u>19,961</u>	<u>36,363</u>	<u>9,913</u>	<u>66,237</u>
Other financing sources (uses)				
Transfers in	-	222	3,467	3,689
Transfers out	(657)	(3,032)	-	(3,689)
Net other sources and uses of financial resources	<u>(657)</u>	<u>(2,810)</u>	<u>3,467</u>	<u>-</u>
Net change in fund balances	19,304	33,553	13,380	66,237
Fund balance - beginning	<u>128,002</u>	<u>345,899</u>	<u>69,843</u>	<u>543,744</u>
Fund balance - ending	<u>\$ 147,306</u>	<u>\$ 379,452</u>	<u>\$ 83,223</u>	<u>\$ 609,981</u>

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

REGIONAL OFFICE OF EDUCATION #1  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2005

Net change in fund balances \$ 66,237

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

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

Capital outlay	46,120	
Depreciation expense	(28,101)	18,019

Change in net assets of governmental activities \$ 84,256

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

REGIONAL OFFICE OF EDUCATION #1  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2005

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash	\$ 6,288
	<hr/>
Total Assets	<u>\$ 6,288</u>
<b>LIABILITIES</b>	
Accumulated Interest Payable	\$ 6,288
	<hr/>
Total Liabilities	<u>\$ 6,288</u>

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

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Regional Office of Education #1 (ROE) conforms to U.S. generally accepted accounting principles, which are appropriate for local governmental units of this type.

**A. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities present financial information about the Regional Office of Education #1 as a whole. These statements include the financial activities of the primary government. Governmental activities of the agency are generally funded by State and federal grants.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation between the government-wide statements and the statements for governmental funds.

The Statement of Net Assets presents the financial condition of the governmental activities of the agency at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the agency's governmental activities. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the agency.

Fund Financial Statements - The accounts of the Regional Office of Education #1 are organized on a fund basis, each of which is considered a separate accounting entity segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. The financial activities of the Regional Office of Education #1 accounted for in the accompanying financial statements have been classified into the following fund categories:

Governmental Fund Types

**General Fund** - General fund is the general operating fund of the agency. It is used to account for all financial resources except those required to be accounted for in another fund. The general fund consists of the agency's ROE operations grant and minor activities such as copier and postage reimbursements.

**Special Revenue Funds** - Transactions related to resources obtained from specific revenue sources that are legally restricted to expenditure for specified purposes are accounted for in special revenue funds.

Fiduciary Fund Types

**Agency Funds** - Agency funds consist of funds received from the State Board of Education and distributed by the Regional Office of Education #1 to school districts and other organizations. These funds are custodial in nature and do not involve the measurement of the results of operations.

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As prescribed by GASB Statement No. 34, governmental fund reporting focuses on the major funds, rather than on the fund type. There is a process for determining if a fund should be reported as a major fund based upon each fund's portion of total assets, liabilities, revenues, or expenditures/expenses. Funds that do not meet the major fund determination requirements are reported in aggregate as non-major funds. Regional Office of Education #1 has presented all major funds that meet the above qualifications.

In 2005, the Regional Office of Education #1 implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*, and Amendment of GASB Statement No. 34, GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, and GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an Amendment of GASB Statement No. 34 which changes note disclosure requirements for governmental entities.

**B. Measurement Focus and Basis of Accounting**

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

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

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirement of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Regional Office of Education #1; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Financial Reporting Entity**

The Regional Superintendent is charged with responsibility for township fund lands registration of the names of applicants for scholarships to State controlled universities; examinations and related duties; visitation of public schools; direction of teachers and school officers; to serve as the official advisor and assistant of school officers and teachers; to conduct teachers institutes as well as to aid and encourage the formation of other teacher meetings and assist in their management; evaluate the schools in the region; examine school treasurer's books, accounts, and vouchers; examine evidence of indebtedness; file and keep the returns of elections required to be returned to the Regional Superintendent's office; and file and keep the reports and statements returned by school treasurers and trustees.

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education #1 districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections, investigate bus drivers for valid bus permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

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

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

For the period ended June 30, 2005, the Regional Office of Education #1 applied for, received, and administered numerous State and federal programs and grants in assistance and support of educational activities of the school districts in Regional Office of Education #1. Such activities are reported as a single major special revenue fund (Education Fund).

Operating costs of the Regional Office of Education #1 are paid for by Adams and Pike counties in accordance with legally adopted budgets approved by the respective county boards. As these expenses do not meet the criteria of manifestations of oversight, the operating expenses of the Regional Office of Education #1 are reported separately in the financial statements of another level of government and are not included in the financial statements of the Regional Office of Education #1.

The criteria used in determining whether the financial results of a particular fund should be included or excluded from the Regional Office of Education #1's financial statements include financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters and scope of public service and financing relationships. Based on this criteria, no other entity is included as a component unit in the Regional Office of Education #1's financial statements. In addition, the Regional Office of Education #1 is not aware of any entity that would exercise such oversight as to result in the Regional Office of Education #1 being considered a component unit of the entity.



REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Government-wide Statements**

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

*Invested in Capital Assets* – Consists of capital assets, net of accumulated depreciation.

*Restricted Net Assets* – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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

**E. Budgets and budgetary accounting**

The Regional Office of Education #1 does not adopt a formal budget and is not legally required to do so for all revenues and expenditures of the governmental funds. The following special revenue funds have budgets:

Administrators Academy  
Substance Abuse Grant  
Truants Alternative / Optional Education  
Homeless Project  
Early Intervention Infant / Toddler  
Title I – Reading First  
Digital Divide  
Regional Safe Schools

**F. Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Assets but are not reported in the fund financial statements.**

All capital assets are recorded at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The agency maintains a capitalization threshold of \$500 for each individual asset for financial reporting purposes. The costs of normal maintenance and repairs that do not add value to an asset or materially extend an asset's life are not capitalized.

Depreciation is calculated using the straight-line method. Equipment has been depreciated over 5 years and furniture has been depreciated over 7 years.

**G. Total Columns - Total columns represent an aggregation of the fund type financial statements. They are presented for information only and do not represent consolidated financial information.**

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

**Note 2 - DESCRIPTION OF FUNDS**

The following is a brief description of each of the current Regional Office of Education #1 Education funds:

Major

- A. Administrators Academy - The Regional Office of Education #1 received a State grant to provide workshops for area teachers.
- B. Substance Abuse Prevention and Treatment - This is a school based initiative program funded by the Illinois Department of Human Services.
- C. Safe and Drug Free Schools – This program was instituted to administer a grant to encourage drug free schools in the area.
- D. Truants Alternative and Optional Education Program - This was a State grant to provide counseling and incentives for problem students.
- E. School to Work - The Regional Office of Education #1 received a State grant to improve students move from school to work.
- F. Early Literacy Challenge – The Regional Office of Education #1 received a grant for literacy supplies and the distribution thereof.
- G. Title II Professional Development - The Regional Office of Education #1 received a federal grant to assist in the professional development of teachers.
- H. Standards Aligned Classrooms - The Regional Superintendent of Schools received a grant from the Peoria Regional Office of Education to provide funds to insure that State standards were being achieved in the classroom.
- I. Early Childhood Block Grant – A grant designated to fund new curriculum for early childhood.
- J. Scientific Literacy Programs – A grant designated to purchase scientific educational supplies for the regional school districts.
- K. Title IV Community Service - The Regional Office of Education #1 received a federal grant to provide children, in alternative education, an opportunity to perform community service.
- L. General State Aid – This fund maintains revenue received from the State Board of Education earned on a per child basis based on the number of students attending the regional safe school.
- M. Retired Professional Services – A program to fund retired superintendent consultation to districts regarding finances, planning and school improvement.
- O. Scientific Literacy Math - The Regional Office of Education #1 received a State grant for the improvement of teacher training in the field of math.
- P. Reorganization Incentive – The Regional Office of Education #1 received a State grant to study the consolidation of two school districts in the region.
- Q. Digital Divide - The Regional Office of Education #1 received a DCCA grant to enhance computer learning for low-income individuals.

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

**Note 2 - DESCRIPTION OF FUNDS (Continued)**

- R. Homeless Project – The Regional Office of Education #1 received a State grant to provide for a local homeless liaison to help homeless students in the region.
- S. IAG Program – Illinois Attorney General grant to be used for the establishment of victim and witness assistance centers.
- T. Regional Safe Schools - The Regional Office of Education #1 received a Federal grant to assist in making schools safer. The agency is currently contracting with Quincy #172 and Pikeland to implement the program.
- U. Mini-grant Safe Schools – One-time grant to aid regional safe schools.
- V. Internal Review - The Regional Office of Education #1 received a State grant to facilitate the internal review of the quality review process with local school districts.
- W. Project Success – A grant funded program to provide after school activities for school-aged children.
- X. Vocational Instructional Practicum – Grant to aid the regions vocational programs.
- Y. Career Awareness and Development - The Regional Office of Education #1 received a State grant to improve efforts in career development.
- Z. Step by Step – Educational grant to provide community services.
- AA. Reading Kits -- A grant designated to purchase books for regional school districts.
- BB. Education to Careers – The Regional Office of Education #1 received a State grant to provide support in career determination.
- CC. Technology Prep Additional – A program which funds a college sponsored workshop for technology teacher education.
- DD. Local Professional Development Committee – A program designed to monitor teacher certification plans.
- EE. Illinois Tobacco Prevention – A program which funded activities to encourage children to avoid the use of tobacco.
- FF. Safe to Learn – A grant to provide special tutoring within the regional safe school.
- GG. Special Education Grants Infants/Toddlers - The Regional Office of Education #1 received a federal grant provided by the Department of Health and Human Services to fund a program for pre-school children with disabilities.
- HH. Title I Reading First Part B SEA Funds - The Regional Office of Education #1 received a federal grant to improve the early literacy program.
- II. Learn and Serve America – The Regional Office of Education #1 received a federal grant to provide children in alternative education an opportunity to perform community service.

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

**Note 2 - DESCRIPTION OF FUNDS (Continued)**

The following is a brief description of each non-major special revenue fund:

Non-major

- JJ. Institute Fund (Adams and Pike Counties) - The Institute Fund is authorized by Section 3-12 of The School Code of Illinois (Illinois. Rev. Stat. 1987, ch. 122, para. 3-12). All examination, registration and renewal fees are paid into the Institute Fund, which is used to defray administrative expenses incidental to teacher's institutes, workshops, or meetings of a professional nature.
- KK. General Education Development Fund - This fund was established to administer the high school level test of General Education Development.
- LL. Supervisory Fund - A state grant to provide for the travel of the regional superintendent.
- MM. Bus Driver Fees - This fund is financed by bus driver permit fees, which are used for training purposes.
- NN. Miscellaneous Fund - This fund represents an accumulation of unused grant funds from programs that no longer exist.
- OO. Pike Co. Film Cooperative Fund - This fund is financed by contributions from the six member schools within Pike County based on an amount equal to \$1.25 per enrolled student.

The following is a brief description of the Regional Office of Education #1's agency fund:

Distributive Fund - Regional Office of Education #1 receives funds from the State Board of Education which it distributes to school districts and other organizations.

**Note 3 - DISTRIBUTIVE FUND INTEREST**

The Regional Office of Education #1 has agreements with its school districts that it may keep and use Distributive Fund interest for purposes that benefit all districts in Adams and Pike Counties.

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

**Note 4 – DEPOSITS AND INVESTMENTS**

A. Deposits

At June 30, 2005, the carrying amount of the Regional Office of Education #1 deposits was \$643,597 (including \$6,288 of fiduciary fund cash) and the bank balance was \$799,179. Of the total bank balances as of June 30, 2005, \$117,036 was secured by federal depository insurance and \$682,143 was collateralized with securities held by the pledging financial institution's trust department in the Regional Office of Education #1's name.

B. Investments

The Regional Office of Education #1 does not have a formal investment policy, as its only investments are internally pooled in the Illinois Funds Money Market Fund. As of June 30, 2005, the Regional Office of Education #1 had investments with carrying and fair values of \$51,088 invested in the Illinois Funds Money Market Fund.

**Credit Risk**

At June 30, 2005 the Illinois Funds Money Market Fund had a Standards and Poor's AAAm rating. The pool is audited annually by an outside independent auditor, and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investments Act, 30 ILCS 235. All investments are fully collateralized.

**Interest Rate Risk**

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

**Concentration of Credit Risk**

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

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

**Note 5 - OTHER REQUIRED FUND DISCLOSURES**

Deficit fund balances at June 30, 2005 are as follows:

Early Literacy Challenge	\$ 1,995
Title IV Community Service	\$ 18
McKinney Education for Homeless	\$ 192
Internal Review	\$ 7,464
Learn & Serve America	\$ 2,916

**Note 6 – COMPENSATED ABSENCES**

Non-certified and certified employees who work 12 calendar months earn 10 to 20 vacation days for each full year of service, depending on years of service. At the end of each fiscal year, accumulated and carried forward vacation time can be up to 10 days. Employee vacation pay is recorded when paid. Accumulated unpaid vacation benefits were not determined but are not material in relation to the financial statements as a whole in the opinion of management. Upon termination, employees do not receive accrued vacation pay, and therefore, no liability is recorded.

Employees receive up to 12 sick days annually and the unused portion is accumulated up to one year and carried forward. Employee sick leave is recorded when paid. Upon termination, employees do not receive any accumulated sick leave pay, and therefore, no liability is recorded.

**Note 7 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS**

Statement of Financial Accounting Standards, No. 107, "Disclosures about Fair Value of Financial Instruments," requires certain entities to disclose the estimated fair value of their financial instrument assets and liabilities. The Regional Office of Education #1's financial instruments consist principally of cash and cash equivalents, receivables and payables. There are no significant differences between the carrying value and fair value of any of these financial instruments.

**Note 8 - ON-BEHALF PAYMENTS**

Regional Superintendent Salary	\$ 84,737
Regional Superintendent Fringe Benefits (includes State paid insurance)	17,004
Assistant Regional Superintendent Salary	76,263
Assistant Regional Superintendent Fringe Benefits (includes State paid insurance)	16,560
Pension contributions for Regional Office of Education #1 participants in the Teachers' Retirement System	<u>12,375</u>
Total	<u>\$ 206,939</u>

Salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education. Pension contribution data for Teachers' Retirement System participants was obtained from the Teachers' Retirement System of the State of Illinois.

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

**Note 9 OPERATING LEASES**

At June 30, 2005 the Regional Office of Education was a party to the following lease agreements:

On June 1, 2004 the Children and Family Connections Program of the Regional Office of Education entered into a three year lease for office space with WCU Tower Corporation. The monthly lease payment is \$750.

**Note 10 – CAPITAL ASSETS**

A summary of capital assets follows:

	<u>June 30, 2005</u>
Equipment	\$ 229,678
Furniture & fixtures	<u>22,962</u>
Total Cost	252,640
Less: Accumulated depreciation	<u>(194,933)</u>
Net Capital Assets	<u>\$ 57,707</u>

Depreciation policies are disclosed in Note 1. Depreciation expense for the fiscal year ended June 30, 2005 as \$28,101.

**Note 11 – DUE TO AND FROM WCR**

At June 30, 2005 the Regional Office of Education #1 was holding \$37,789 of cash in a checking account, which actually belonged to the West Central Region #240. The funds were errantly transferred to the account prior to June 2005 and transferred back to the West Central Region in July 2005. Also, at June 30, 2005 the West Central Region was holding \$11,361 of cash belonging to the Regional Office of Education #1. The funds were errantly transferred to the account prior to June 2005 and reimbursed in fiscal 2006.

**Note 12 – FUND BALANCE TRANSFERS**

In December 2004 and June 2005 the Regional Office of Education transferred several small fund balances from closed programs to the Miscellaneous Fund. Total fund balances transferred into the Miscellaneous Fund were \$3,465.

REGIONAL OFFICE OF EDUCATION #1  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2005

**Note 13 – DEFINED BENEFIT PENSION PLAN**

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

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

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The employer is required to contribute at an actuarially determined rate. The employer rate for calendar year 2004 was 2.32% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis.) The amortization period at December 31, 2004 was 6 years.

For December 31, 2004, the Employer's annual pension cost of \$10,324 was equal to the Employer's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% per year, attributable to inflation (c) additional projected salary increases ranging from .4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2004 actuarial valuation were based on the 1999-2001 experience study.

**TREND INFORMATION**

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12-31-04	10,324	100%	\$ 0
12-31-03	28,521	100%	0
12-31-02	23,673	100%	0
12-31-01	21,816	100%	0
12-31-00	16,949	100%	0
12-31-99	15,646	100%	0
12-31-98	10,599	100%	0
12-31-97	9,315	100%	0
12-31-96	9,117	100%	0
12-31-95	8,357	100%	0



REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

**Note 14 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS**

The Regional Office of Education #1 participates in the Teachers’ Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago.

The Illinois Pension Code outlines the benefit provisions of TRS and amendments to the plan can be made only by legislative action with the Governor’s approval. The State of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system’s administration.

TRS members include all active non-annuitants who are employed by the TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 2005 was 9 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer.

In addition, virtually all employers and members pay a contribution to the Teachers’ Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of the retirement plan. The employer THIS Fund contribution was 0.5 percent during the year ended June 30, 2005, and the member THIS Fund Health insurance contribution was 0.75 percent.

The State of Illinois makes contributions directly to TRS on behalf of the Regional Office of Education #1 TRS-covered employees.

- **On-behalf contributions.** The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #1. For the year ended June 30, 2005, State of Illinois contributions were based on 11.76 percent of creditable earnings, and the Regional Office of Education #1 recognized revenue and expenditures of \$12,375 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2004, and June 30, 2003, the State of Illinois contribution rates as percentages of creditable earnings were 13.98 percent (\$15,502) and 13.01 percent (\$18,455), respectively.

The Regional Office of Education #1 makes three other types of employer contributions directly to TRS.

- **2.2 formula contributions.** For the year ended June 30, 2005, and June 30, 2004, employers contributed 0.58 percent of creditable earnings for the 2.2 formula change. Contributions for the years ending June 30, 2005 and June 30, 2004 were \$610 and \$662, respectively.

For the year ended June 30, 2003, part of the employer’s 2.2 formula contribution (0.58 percent of pay) was reduced as a result of the new employer THIS Fund contribution for retiree health insurance (.4 percent of pay). The remaining 0.18 percent was submitted to TRS. Contributions for the year ended June 30, 2003 were \$255.

- **Federal and trust fund contributions.** When TRS members are paid from federal and trust funds administered by the Regional Office of Education #1, there is a statutory requirement for the Regional Office of Education #1 to pay an employer pension contribution from those funds. For the three years ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the three years ending June 30, 2005, the Regional Office of Education #1 paid no employer contributions under the federal and trust fund contribution.

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

**Note 14 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (continued)**

- **Early Retirement Option (ERO).** The Regional Office of Education #1 is also required to make one-time employer contributions to TRS for members retired under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member. No member or employer contributions are required if the member has 34 years of service. The maximum employer payment of 100 percent of the member’s highest salary used in the calculation of final average salary is required if the member is 55 years old. For the three years ended June 30, 2005, the Regional Office of Education #1 paid no employer contributions under the Early Retirement Option.

Changes

Public act 94-0004, which was signed into law on June 1, 2005, contained a number of provisions affecting employer and active member contributions. Most will not be effective or impact financial statements until the year ending June 30, 2006. The changes are summarized below:

- **Active member contributions.** The active member contribution rates will increase from the current 9.0 percent of creditable earnings to 9.4 percent beginning July 1, 2005. The increase is to help cover the cost of the new ERO program and will be refunded if the member does not retire under ERO.
- **State/federal contributions.** Under a policy adopted by the Board of Trustees before Public Act 94-0004 was enacted, the employer contribution rate for employees paid from federal funds will be the same as the rate paid by the state. Under Public Act 94-0004, the state contribution rate in FY 2006 was reduced to 7.06 percent of pay. Therefore, the employer contribution rate for employees paid from federal funds in FY 2006 will be 7.06 percent, a decrease from the current 10.50 percent.
- **New employer contributions**
  - **Salary increases over 6 percent.** If employers grant salary increases in excess of 6 percent that are used in final average salary calculations, the employer will make a lump-sum contribution to TRS to cover the cost of the portion of the benefit due to salary increases over 6 percent. Public Act 94-0004 exempts salary increases granted under contracts and collective bargaining agreements in effect on June 1, 2005.
  - **Sick leave in excess of normal allotment.** If employers grant sick leave near retirement in excess of normal allotment and that sick leave is counted as service credit, the employer will make a lump-sum contribution to TRS. The act exempts sick leave granted under contracts and collective bargaining agreements in effect on June 1, 2005.
- **Early Retirement Options.** In addition to changes described above, the following changes were made to ERO:
  - Both active member and employer ERO contributions rates are increased. For employers, the maximum contribution increases from the current 100 percent of the member’s highest salary used in the calculation of final average salary to 117.5 percent.

TRS financial information, an explanation of TRS benefits, and descriptions of members, employer and state funding requirements can be found in the *TRS Comprehensive Annual Financial Report* for the year ended June 30, 2004. The report for the year ended June 30, 2005, is expected to be available in late 2005. The reports may be obtained in writing to the Teacher’s Retirement System of the State of Illinois, PO Box 19253, 2815 West Washington Street, Springfield, Illinois 62794-9253. The most current report is also available on the TRS web site at [www.trs.illinois.gov](http://www.trs.illinois.gov).

**Required Supplementary Information**  
**(Other than Management's Discussion & Analysis)**

REGIONAL OFFICE OF EDUCATION #1  
 SCHEDULE OF FUNDING PROGRESS  
 Illinois Municipal Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
12/31/2004	625,738	504,137	(121,601)	124.12%	445,001	0%
12/31/2003	676,778	536,804	(139,974)	126.08%	449,861	0%
12/31/2002	609,324	439,403	(169,921)	138.67%	506,913	0%
12/31/2001	543,139	442,320	(100,819)	122.79%	538,673	0%
12/31/2000	671,330	506,532	(164,798)	132.53%	476,109	0%
12/31/1999	599,261	415,131	(184,130)	144.35%	434,627	0%
12/31/1998	475,014	315,971	(159,043)	150.33%	361,735	0%
12/31/1997	397,421	276,359	(121,062)	143.81%	301,301	0%
12/31/1996	432,029	309,087	(122,942)	139.78%	140,261	0%
12/31/1995	392,080	284,615	(107,465)	137.76%	131,606	0%

On a market value basis, the actuarial value of assets as of December 31, 2004 is \$627,398.

On a market value basis, the funded ratio would be 124.45%.

Digest of Changes

2004 Assumptions:

The actuarial assumptions used to determine the actuarial accrued liability for 2004 are based on the 1999 - 2001 Experience Study.

The principle changes were:

1. Fewer members are expected to take refunds early in their career.
2. For regular members, fewer normal and early retirements are expected to occur.

**SUPPLEMENTAL INFORMATION**

REGIONAL OFFICE OF EDUCATION #1  
 COMBINING SCHEDULE OF ACCOUNTS  
 EDUCATION FUND  
 JUNE 30, 2005

	Administrators Academy	Substance Abuse Grant	Safe and Drug Free Schools	Truants Alternative and Optional Educational Program	School to Work	Early Literacy Challenge	Title II Professional Development	Standards Aligned Classrooms	Early Childhood Block Grant
Cash	\$ -	\$ 18,239	\$ 4,439	\$ 2,258	\$ 191	\$ (1,995)	\$ -	\$ 24,866	\$ -
Grants receivable	-	15,620	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	-
Prepaid items	-	1,252	-	66	-	-	-	-	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 35,111</b>	<b>\$ 4,439</b>	<b>\$ 2,324</b>	<b>\$ 191</b>	<b>\$ (1,995)</b>	<b>\$ -</b>	<b>\$ 24,866</b>	<b>\$ -</b>

LIABILITIES AND FUND BALANCE

Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-	-	-	-	-
Fund balances									
Fund balance - reserved	-	35,111	4,439	2,324	191	-	-	24,866	-
Fund balance - unreserved	-	-	-	-	-	(1,995)	-	-	-
Total fund balance (deficit)	-	35,111	4,439	2,324	191	(1,995)	-	24,866	-
Total liabilities and fund balance	\$ -	\$ 35,111	\$ 4,439	\$ 2,324	\$ 191	\$ (1,995)	\$ -	\$ 24,866	\$ -

REGIONAL OFFICE OF EDUCATION #1  
 COMBINING SCHEDULE OF ACCOUNTS  
 EDUCATION FUND  
 JUNE 30, 2005

	Scientific Literacy Program	Scientific Literacy Summer	Title IV Community Service	General State Aid	Retired Professional Services	Scientific Literacy Math	Reorganization Incentive	Digital Divide	McKinney Education for Homeless
Cash	\$ 6,889	\$ 221	\$ (18)	\$ 252,456	\$ 863	\$ 3,471	\$ -	\$ 30,919	\$ (2,931)
Grants receivable	-	-	-	-	-	-	-	-	2,739
Accounts receivable	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	1,536	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 6,889</b>	<b>\$ 221</b>	<b>\$ (18)</b>	<b>\$ 253,992</b>	<b>\$ 863</b>	<b>\$ 3,471</b>	<b>\$ -</b>	<b>\$ 30,919</b>	<b>\$ (192)</b>

LIABILITIES AND FUND BALANCE

Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-	-	-	-	-	-
Fund balances									
Fund balance - reserved	6,889	221	-	253,992	863	3,471	-	30,919	-
Fund balance - unreserved	-	-	(18)	-	-	-	-	-	(192)
Total fund balance (deficit)	6,889	221	(18)	253,992	863	3,471	-	30,919	(192)
Total liabilities and fund balance	\$ 6,889	\$ 221	\$ (18)	\$ 253,992	\$ 863	\$ 3,471	\$ -	\$ 30,919	\$ (192)

REGIONAL OFFICE OF EDUCATION #1  
COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND  
JUNE 30, 2005

ASSETS

IAG Program	Regional Safe Schools	Mini-grant Safe Schools	Internal Review	Project Success	Vocational Instructional Practicum	Career Awareness and Development	Step-by-Step	Reading Kits
Cash	\$ 302	\$ 1,725	\$ -	\$ (7,484)	\$ 3,819	\$ -	\$ 275	\$ -
Grants receivable	-	-	-	-	-	-	-	2,109
Accounts receivable	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 302</b>	<b>\$ 1,725</b>	<b>\$ -</b>	<b>\$ (7,484)</b>	<b>\$ 3,819</b>	<b>\$ -</b>	<b>\$ 275</b>	<b>\$ -</b>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Fund balances

Fund balance - reserved	302	1,725	-	-	3,819	-	275	-
Fund balance - unreserved	-	-	-	(7,484)	-	-	-	-
<b>Total fund balance (deficit)</b>	<b>302</b>	<b>1,725</b>	<b>-</b>	<b>(7,484)</b>	<b>3,819</b>	<b>-</b>	<b>275</b>	<b>2,109</b>
<b>Total liabilities and fund balance</b>	<b>\$ 302</b>	<b>\$ 1,725</b>	<b>\$ -</b>	<b>\$ (7,484)</b>	<b>\$ 3,819</b>	<b>\$ -</b>	<b>\$ 275</b>	<b>\$ -</b>



REGIONAL OFFICE OF EDUCATION #1  
COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND  
JUNE 30, 2005

ASSETS

	Education to Careers	Tech. Prep Additional	Local Professional Development Committee	Illinois Tobacco Prevention	Safe to Learn	Special Education Grants Infant/Toddler	Title I Reading First	Learn and Serve America	Combined Total
Cash	\$ 169	\$ 4,025	\$ 817	\$ 547	\$ 308	\$ 28,865	\$ 10,519	\$ 1	\$ 385,885
Grants receivable	-	-	-	-	-	-	-	-	18,359
Accounts receivable	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	1,811	-	-	4,485
<b>Total Assets</b>	<b>\$ 169</b>	<b>\$ 4,025</b>	<b>\$ 817</b>	<b>\$ 547</b>	<b>\$ 308</b>	<b>\$ 30,478</b>	<b>\$ 10,519</b>	<b>\$ 1</b>	<b>\$ 408,709</b>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,340	\$ -	\$ 2,917	\$ 28,257
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 28,340</b>	<b>\$ -</b>	<b>\$ 2,917</b>	<b>\$ 28,257</b>

Fund balances

Fund balance - reserved	169	4,025	817	547	308	4,138	10,519	-	392,037
Fund balance - unreserved	-	-	-	-	-	-	-	(2,916)	(12,585)
<b>Total fund balance (deficit)</b>	<b>169</b>	<b>4,025</b>	<b>817</b>	<b>547</b>	<b>308</b>	<b>4,138</b>	<b>10,519</b>	<b>(2,916)</b>	<b>379,452</b>
<b>Total liabilities and fund balance</b>	<b>\$ 169</b>	<b>\$ 4,025</b>	<b>\$ 817</b>	<b>\$ 547</b>	<b>\$ 308</b>	<b>\$ 30,478</b>	<b>\$ 10,519</b>	<b>\$ 1</b>	<b>\$ 408,709</b>

REGIONAL OFFICE OF EDUCATION #1  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2005

	Administrators Academy	Substance Abuse Grant	Safe and Drug Free Schools	Truants Alternative and Optional Educational	School to Work	Early Literacy Challenge	Title II Professional Development	Standards Aligned Classrooms	Early Childhood Block Grant
<b>Revenues</b>									
Registration, certification and permit fees	-	-	-	-	-	-	-	-	-
Member dues	-	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-	-
State sources	20,079	84,420	-	68,268	-	-	-	-	-
Federal sources	-	97,300	-	-	-	-	-	-	-
Interest income	3	-	39	27	2	1	-	219	-
<b>Total revenues</b>	<b>20,082</b>	<b>181,720</b>	<b>39</b>	<b>68,315</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>219</b>	<b>-</b>
<b>Expenditures</b>									
Salaries and benefits	15,526	111,877	-	49,665	-	-	-	803	-
Purchased services	3,178	31,138	-	12,938	-	-	5	33	-
Travel & entertainment	176	15,922	-	4,504	-	-	-	135	-
Supplies & materials	-	24,297	-	2,636	-	-	-	-	-
Institute expenses and workshops	-	-	-	-	-	-	-	-	-
Capital outlay	-	998	-	-	-	-	-	-	-
Communication	1,512	-	-	740	-	-	-	-	-
Postage and copies	-	-	-	1,152	-	-	-	-	-
Payment to other government units	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>20,392</b>	<b>184,232</b>	<b>-</b>	<b>71,693</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>871</b>	<b>-</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(310)</b>	<b>(2,512)</b>	<b>39</b>	<b>(3,318)</b>	<b>2</b>	<b>1</b>	<b>(5)</b>	<b>(752)</b>	<b>-</b>
<b>Other financing sources (uses)</b>									
Transfers in	-	-	-	-	-	222	-	-	-
Transfers out	-	-	-	-	-	-	(2,382)	(10)	(222)
<b>Net other sources and uses of financial resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>222</b>	<b>(2,382)</b>	<b>(10)</b>	<b>(222)</b>
<b>Excess (deficiency) of revenues over expenditures and other uses</b>	<b>(310)</b>	<b>(2,512)</b>	<b>39</b>	<b>(3,318)</b>	<b>2</b>	<b>223</b>	<b>(2,387)</b>	<b>(762)</b>	<b>(222)</b>
Fund balance - July 1, 2004	310	37,823	4,400	5,642	109	(2,218)	2,387	25,628	222
Fund balance - June 30, 2005	-	35,111	4,439	2,324	181	(1,995)	-	24,866	-

REGIONAL OFFICE OF EDUCATION #1  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2005

	Scientific Literacy Program	Scientific Literacy Summer	Title IV Community Service	General State Aid	Retired Professional Services	Scientific Literacy Maths	Reorganization Incentive	Digital Divide	McKinney Education for Homeless
<b>Revenues</b>									
Registration, certification and permit fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Member dues	-	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	175,767	-	-	-	34,375	-
Federal sources	-	-	4,476	35,153	-	-	-	-	13,600
Interest income	61	2	-	2,330	7	30	-	-	-
Total revenues	61	2	4,476	213,250	7	30	-	34,375	13,600
<b>Expenditures</b>									
Salaries and benefits	-	-	-	1,909	-	-	-	-	12,393
Purchased services	-	-	-	-	-	-	6,000	5,960	-
Travel & entertainment	-	-	-	224	-	-	-	-	779
Supplies & materials	-	-	2,618	668	-	-	-	-	269
Institute expenses and workshops	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	10,753	-	-	-	-	-
Communication	-	-	-	-	-	-	-	-	-
Postage and copies	-	-	-	1,316	-	-	-	-	-
Payment to other government units	-	-	-	171,998	-	-	-	-	-
Other	-	-	3	-	-	-	-	-	33
Total expenditures	-	-	2,621	193,059	-	-	6,000	5,960	13,441
<b>Excess (deficiency) of revenues over expenditures</b>	61	2	1,855	20,181	7	30	(6,000)	28,382	159
<b>Other financing sources (uses)</b>									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Net other sources and uses of financial resources	-	-	-	-	-	-	-	-	-
<b>Excess (deficiency) of revenues over expenditures and other uses</b>	61	2	1,855	20,181	7	30	(6,000)	28,382	159
Fund balance - July 1, 2004	6,828	219	(1,873)	233,911	858	3,441	6,000	2,537	(351)
Fund balance - June 30, 2005	\$ 6,889	\$ 221	\$ (18)	\$ 253,992	\$ 865	\$ 3,471	\$ -	\$ 30,919	\$ (192)

REGIONAL OFFICE OF EDUCATION #1  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2005

Program	IAG	Regional Safe Schools	Mini-grant Safe Schools	Internal Review	Project Success	Vocational Instructional Practicum	Career Awareness and Development	Step-by-Step	Reading Kits
Registration, certification and permit fees		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Member dues		-	-	-	-	-	-	-	-
Local sources		-	-	-	-	-	-	-	-
State sources		123,738	-	-	-	-	-	-	-
Federal sources		-	-	-	-	-	-	-	-
Interest income	2	116	-	-	135	-	-	-	19
Total revenues	2	123,851	-	-	135	-	-	-	19
<b>Expenditures</b>									
Salaries and benefits		-	-	5	15,180	-	-	-	-
Purchased services		-	-	-	133	-	-	-	-
Travel & entertainment		-	-	-	-	-	-	-	-
Supplies & materials		-	-	-	-	-	-	-	-
Institute expenses and workshops		-	-	-	-	-	-	-	-
Capital outlay		-	-	-	-	-	-	-	-
Communication		-	-	-	-	-	-	-	-
Postage and copies		-	-	-	-	-	-	-	-
Payment to other government units		123,863	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-
Total expenditures		123,863	-	5	15,313	-	-	-	-
Excess (deficiency) of revenues over expenditures	2	(42)	-	(5)	(15,178)	-	2	-	19
<b>Other financing sources (uses)</b>									
Transfers in		-	-	-	-	-	-	-	-
Transfers out		-	(8)	-	-	(113)	-	(287)	-
Net other sources and uses of financial resources		-	(8)	-	-	(113)	-	(287)	-
Excess (deficiency) of revenues over expenditures and other uses	2	(42)	(8)	(5)	(15,178)	(113)	2	(287)	19
Fund balance - July 1, 2004	300	1,767	8	(7,458)	18,997	113	273	297	2,090
Fund balance - June 30, 2005	302	1,725	-	(7,464)	3,819	-	275	-	2,109

REGIONAL OFFICE OF EDUCATION #1  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
EDUCATION FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2005

	Education to Career	Tech. Prep Additional	Local Professional Development Committed	Illinois Tobacco Prevention	Safe to Learn	Special Education Grants Infant/Toddler	Title I Reading First	Learn and Serve America	Combined Total
<b>Revenues</b>									
Registration, certification and permit fees	\$	7,073	\$	\$	\$	\$	\$	\$	7,073
Member dues	-	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	7,486	-	-	7,486
State sources	-	-	-	-	-	-	-	-	506,665
Federal sources	-	-	-	-	-	345,340	29,264	-	624,183
Interest income	1	10	7	5	2	203	37	-	3,259
Total revenues	1	7,083	7	5	2	353,031	29,331	-	1,048,648
<b>Expenditures</b>									
Salaries and benefits	-	-	-	-	-	238,727	5,108	-	452,191
Purchased services	-	3,424	-	-	-	81,736	9,591	2,917	157,051
Travel & entertainment	-	-	-	-	-	20,215	-	-	41,955
Supplies & materials	-	-	-	-	-	4,059	7,943	-	42,689
Institute expenses and workshops	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	17,751
Communication	-	-	-	-	-	-	-	-	2,252
Postage and copies	-	-	-	-	-	-	-	-	2,471
Payment to other government units	-	-	-	-	-	-	-	-	295,889
Other	-	-	-	-	-	-	-	-	36
Total expenditures	-	3,424	-	-	-	345,738	22,640	2,917	1,012,285
<b>Excess (deficiency) of revenues over expenditures</b>	1	3,659	7	6	2	7,295	5,691	(2,917)	38,363
<b>Other financing sources (uses)</b>									
Transfers in	-	-	-	-	-	-	-	-	222
Transfers out	-	-	-	-	-	-	-	-	(3,032)
Net other sources and uses of financial resources	-	-	-	-	-	-	-	-	(2,810)
<b>Excess (deficiency) of revenues over expenditures and other uses</b>	1	3,659	7	6	2	7,295	5,691	(2,917)	33,553
Fund balance - July 1, 2004	168	368	810	542	306	(3,159)	4,828	1	345,899
Fund balance - June 30, 2005	169	4,025	817	547	308	4,136	10,519	(2,916)	379,452

REGIONAL OFFICE OF EDUCATION #1  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2005

	Administrators Academy	
	Budget	Actual
<b>Revenues:</b>		
Local sources	\$ -	\$ -
State sources	20,000	20,079
Federal sources	-	-
Interest Income	-	3
<b>Total Revenues</b>	<b>20,000</b>	<b>20,082</b>
<b>Expenditures:</b>		
Salaries and benefits	15,507	15,526
Purchased services	4,493	3,178
Travel & entertainment	-	176
Supplies & materials	-	-
Institute expenses and workshops	-	-
Capital outlay	-	-
Communication	-	1,512
Postage and copies	-	-
Payment to other governmental units	-	-
Other	-	-
<b>Total Expenditures</b>	<b>20,000</b>	<b>20,392</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ -</b>	<b>(310)</b>
Fund Balance, July 1, 2004		310
Fund Balance, June 30, 2005		<b>\$ -</b>

	Substance Abuse Grant	
	Budget	Actual
<b>Revenues:</b>		
Local sources	\$ -	\$ -
State sources	84,420	84,420
Federal sources	97,300	97,300
Interest Income	-	-
<b>Total Revenues</b>	<b>181,720</b>	<b>181,720</b>
<b>Expenditures:</b>		
Salaries and benefits	110,507	111,877
Purchased services	29,762	31,138
Travel & entertainment	15,000	15,922
Supplies & materials	24,451	24,297
Institute expenses and workshops	-	-
Capital outlay	2,000	998
Communication	-	-
Postage and copies	-	-
Payment to other governmental units	-	-
Other	-	-
<b>Total Expenditures</b>	<b>181,720</b>	<b>184,232</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ -</b>	<b>(2,512)</b>
Fund Balance, July 1, 2004		37,623
Fund Balance, June 30, 2005		<b>\$ 35,111</b>

REGIONAL OFFICE OF EDUCATION #1  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2005

	Truants Alternative/Optional Education	
	Budget	Actual
<b>Revenues:</b>		
Local sources	\$ -	\$ -
State sources	68,288	68,288
Federal sources	-	-
Interest Income	-	27
<b>Total Revenues</b>	<b>68,288</b>	<b>68,315</b>
<b>Expenditures:</b>		
Salaries and benefits	50,810	49,665
Purchased services	14,978	12,936
Travel & entertainment	-	4,504
Supplies & materials	2,500	2,636
Institute expenses and workshops	-	-
Capital outlay	-	-
Communication	-	740
Postage and copies	-	1,152
Payment to other governmental units	-	-
Other	-	-
<b>Total Expenditures</b>	<b>68,288</b>	<b>71,633</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ -</b>	<b>(3,318)</b>
Fund Balance, July 1, 2004		5,642
Fund Balance, June 30, 2005		<b>\$ 2,324</b>

	McKinney Education for Homeless	
	Budget	Actual
<b>Revenues:</b>		
Local sources	\$ -	\$ -
State sources	13,600	-
Federal sources	-	13,600
Interest Income	-	-
<b>Total Revenues</b>	<b>13,600</b>	<b>13,600</b>
<b>Expenditures:</b>		
Salaries and benefits	13,600	12,393
Purchased services	-	-
Travel & entertainment	-	779
Supplies & materials	-	269
Institute expenses and workshops	-	-
Capital outlay	-	-
Communication	-	-
Postage and copies	-	-
Payment to other governmental units	-	-
Other	-	-
<b>Total Expenditures</b>	<b>13,600</b>	<b>13,441</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ -</b>	<b>159</b>
Fund Balance, July 1, 2004		(351)
Fund Balance, June 30, 2005		<b>\$ (192)</b>

REGIONAL OFFICE OF EDUCATION #1  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2005

	Special Education Grants Infant/Toddler	
	Budget	Actual
<b>Revenues:</b>		
Local sources	\$ -	\$ 7,488
State sources	-	-
Federal sources	345,340	345,340
Interest Income	-	203
<b>Total Revenues</b>	<b>345,340</b>	<b>353,031</b>
<b>Expenditures:</b>		
Salaries and benefits	266,671	239,727
Purchased services	57,669	81,736
Travel & entertainment	15,000	20,215
Supplies & materials	6,000	4,058
Institute expenses and workshops	-	-
Capital outlay	-	-
Communication	-	-
Postage and copies	-	-
Payment to other governmental units	-	-
Other	-	-
<b>Total Expenditures</b>	<b>345,340</b>	<b>345,736</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ -</b>	<b>7,295</b>
Fund Balance, July 1, 2004		(3,159)
Fund Balance, June 30, 2005		<b>\$ 4,136</b>

	Title I - Reading First	
	Budget	Actual
<b>Revenues:</b>		
Local sources	\$ -	\$ -
State sources	-	-
Federal sources	28,294	28,294
Interest Income	-	37
<b>Total Revenues</b>	<b>28,294</b>	<b>28,331</b>
<b>Expenditures:</b>		
Salaries and benefits	7,360	5,106
Purchased services	10,934	9,591
Travel & entertainment	-	-
Supplies & materials	7,500	7,943
Institute expenses and workshops	-	-
Capital outlay	2,500	-
Communication	-	-
Postage and copies	-	-
Payment to other governmental units	-	-
Other	-	-
<b>Total Expenditures</b>	<b>28,294</b>	<b>22,640</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ -</b>	<b>5,691</b>
Fund Balance, July 1, 2004		4,828
Fund Balance, June 30, 2005		<b>\$ 10,519</b>



REGIONAL OFFICE OF EDUCATION #1  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2005

	Digital Divide	
	Budget	Actual
<b>Revenues:</b>		
Local sources	\$ -	\$ -
State sources	34,375	34,375
Federal sources	-	-
Interest Income	-	-
<b>Total Revenues</b>	<b>34,375</b>	<b>34,375</b>
<b>Expenditures:</b>		
Salaries and benefits	23,750	-
Purchased services	3,125	5,960
Travel & entertainment	-	-
Supplies & materials	3,000	-
Institute expenses and workshops	-	-
Capital outlay	4,500	-
Communication	-	-
Postage and copies	-	-
Payment to other governmental units	-	-
Other	-	33
<b>Total Expenditures</b>	<b>34,375</b>	<b>5,993</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ -</b>	<b>28,382</b>
<b>Fund Balance, July 1, 2004</b>		<b>2,537</b>
<b>Fund Balance, June 30, 2005</b>		<b>\$ 30,919</b>

	Regional Safe Schools	
	Budget	Actual
<b>Revenues:</b>		
Local sources	\$ -	\$ -
State sources	123,736	123,736
Federal sources	-	-
Interest Income	-	115
<b>Total Revenues</b>	<b>123,736</b>	<b>123,851</b>
<b>Expenditures:</b>		
Salaries and benefits	-	-
Purchased services	-	-
Travel & entertainment	-	-
Supplies & materials	-	-
Institute expenses and workshops	-	-
Capital outlay	-	-
Communication	-	-
Postage and copies	-	-
Payment to other governmental units	123,736	123,893
Other	-	-
<b>Total Expenditures</b>	<b>123,736</b>	<b>123,893</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ -</b>	<b>(42)</b>
<b>Fund Balance, July 1, 2004</b>		<b>1,767</b>
<b>Fund Balance, June 30, 2005</b>		<b>\$ 1,725</b>

REGIONAL OFFICE OF EDUCATION #1  
 COMBINING BALANCE SHEET  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2005

	Institute Funds Adams County	Institute Funds Pike County	General Education Development Fund	Supervisory Fund	Bus Driver Fees	Miscellaneous Fund	Pike County Film Cooperative Fund	TOTAL
Cash	\$ 27,579	\$ 7,667	(28)	\$ 1	\$ 11,607	\$ 17,095	\$ 4,655	\$ 68,578
Accounts receivable	-	-	-	-	-	17,145	-	17,145
Total Assets	\$ 27,579	\$ 7,667	(28)	\$ 1	\$ 11,607	\$ 34,240	\$ 4,655	\$ 85,723

LIABILITIES AND FUND BALANCE

Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,500	\$ -	\$ 2,500
Total liabilities	-	-	-	-	-	2,500	-	2,500
Fund balance (deficit)								
Reserved for grant programs	-	-	-	-	-	-	-	-
Unreserved - undesignated (deficit)	27,579	7,667	(28)	1	11,607	31,740	4,655	83,223
Total fund balance (deficit)	27,579	7,667	(28)	1	11,607	31,740	4,655	83,223
Total liabilities and fund balance	\$ 27,579	\$ 7,667	(28)	\$ 1	\$ 11,607	\$ 34,240	\$ 4,655	\$ 85,723

REGIONAL OFFICE OF EDUCATION #1  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005

	Institute Funds Adams County	Institute Funds Pike County	General Education Development Fund	Supervisory Fund	Bus Driver Fees	Miscellaneous Fund	Pike County Film Cooperative Fund	TOTAL
<b>Revenues:</b>								
Registration, certification and permit fees	\$ 10,752	\$ 2,965	\$ 6,685	\$ -	\$ 1,180	\$ -	\$ -	\$ 21,582
Member dues	-	-	-	-	-	-	3,656	3,656
Local sources	-	-	-	-	-	67,973	-	67,973
State sources	-	-	-	2,000	360	-	-	2,360
Federal sources	-	-	-	-	-	-	-	-
Interest income	283	73	21	5	83	2,678	11	3,134
Total revenues	11,015	3,038	6,706	2,005	1,823	70,651	3,667	98,705
<b>Expenditures:</b>								
Salaries and benefits	446	-	2,181	-	-	21,247	-	23,874
Purchased services	273	-	4,682	-	785	6,550	-	12,300
Travel & entertainment	3,143	-	1,359	2,005	57	2,737	-	9,301
Supplies & materials	-	-	530	-	-	825	1,215	2,570
Institute expenses and workshops	8,461	1,328	-	-	-	28,369	-	38,158
Capital outlay	-	-	-	-	-	-	-	-
Communication	-	-	774	-	-	-	541	1,315
Postage and copies	-	-	-	-	-	-	-	-
Payment to other government units	-	-	-	-	-	-	-	-
Other	-	-	1,274	-	-	-	-	1,274
Total expenditures	12,323	1,328	10,800	2,005	852	59,728	1,756	88,792
Excess (deficiency) of revenues over expenditures	(1,308)	1,710	(4,094)	-	771	10,923	1,811	9,913
<b>Other financing sources (uses)</b>								
Transfers in	2	-	-	-	-	3,465	-	3,467
Transfers out	-	-	-	-	-	-	-	-
Net other sources and uses of financial resources	2	-	-	-	-	3,465	-	3,467
Excess (deficiency) of revenues over expenditures and other uses	(1,306)	1,710	(4,094)	-	771	14,388	1,811	13,380
Fund balance - July 1, 2004	28,855	5,957	4,068	1	10,838	17,352	2,744	69,843
Fund balance - June 30, 2005	\$ 27,579	\$ 7,667	\$ (26)	\$ 1	\$ 11,607	\$ 31,740	\$ 4,655	\$ 83,223

REGIONAL OFFICE OF EDUCATION #1  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUND  
 FOR THE YEAR ENDED JUNE 30, 2005

<u>AGENCY FUND</u>	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<u>ASSETS</u>				
Cash	\$ 5,324	\$ 1,125,797	\$ 1,124,833	\$ 6,288
Total Assets	<u>5,324</u>	<u>1,125,797</u>	<u>1,124,833</u>	<u>6,288</u>
<u>LIABILITIES</u>				
Accumulated Interest Payable	\$ 5,324	\$ 964	\$ -	\$ 6,288
Total Liabilities	<u>\$ 5,324</u>	<u>\$ 964</u>	<u>\$ -</u>	<u>\$ 6,288</u>

REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURER'S AND OTHER ENTITIES  
DISTRIBUTIVE FUND  
FOR THE YEAR ENDED JUNE 30, 2005

	West Central Region #240	ROE #1	Totals
Alternative Education	\$ -	\$ 123,736	\$ 123,736
General State Aid	-	219,709	219,709
Reorganization Incentive	-	6,000	6,000
ROE/ISC Operations	-	122,545	122,545
ROE/ISC School Bus Driver Training	-	360	360
Supervisory Expense	-	2,000	2,000
Title I Reading First	-	38,294	38,294
Title IV Community Service	-	4,476	4,476
Truants Alternative / Optional Education	-	68,288	68,288
Voc. Ed. Agricultural Education Incentive	26,077	-	26,077
Voc. Ed. Perkins Title IIc Secondary	142,740	-	142,740
Voc. Ed. Sec. Program Imp.	370,608	-	370,608
	<u>\$ 539,425</u>	<u>\$ 585,408</u>	<u>\$ 1,124,833</u>

REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Project # or Contract #	Federal Expenditures 7/1/04-6/30/05
U.S. Dept. of Education passed through Illinois State Board of Education:			
<b>Title I – Reading First Part B SEA Funds</b>	84.357A	2005-4337-02	17,823
<b>Title I – Reading First Part B SEA Funds</b>	84.357A	2004-4337-02	4,817
<b>Title IV – Community Service</b>	84.184C	2004-4420-00	2,621
U.S. Dept. of Education passed through Hancock-McDonough ROE #26:			
<b>McKinney Education for Homeless</b>	84.196A	2005-4920-00	13,441
U.S. Dept. of Health and Human Services passed through Illinois State Board of Education:			
<b>Regional Safe Schools State Aid</b>	93.558	2005-3001-93	35,153
U.S. Dept. of Health and Human Services passed through IL Department of Human Services:			
<b>Substance Abuse Prevention and Treatment Block Grant</b>	93.959	11G5011000	97,300
<b>(m) Special Education Grants Infants/Toddlers</b>	84.181	11G5011000	342,861
<b>Social Services Block Grant (note 4)</b>	93.667	11G5011000	41,509
<b>Total Expenditures of Federal Awards</b>			<b>\$ 555,525</b>

(m) - Program was audited as a major program

The accompanying notes are an integral part of this schedule

REGIONAL OFFICE OF EDUCATION #1  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005

**Note 1 – Reporting Entity Basis of Presentation and Accounting**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of ROE #1 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented on this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2 – Subrecipients**

Of the federal expenditures in the schedule, Regional Office of Education #1 provided federal awards to subrecipients were as follows:

Regional Safe Schools State Aid	CFDA No. 93.558
Quincy Public School District #172 and Pikeland Community School District #10	\$ 35,153

**Note 3 – Descriptions of Major Federal Program**

Special Education Grant Infants and Toddlers - Federal grant provided by the Department of Health and Human Services to fund a program for pre-school children with disabilities.

**Note 4 – Non-Cash Assistance**

Non-cash assistance is reported in the schedule at the fair market value of the non-cash assistance received and disbursed. The amount of non-cash assistance was received from the Department of Human Services and reflects the estimated value of services provided directly through the Social Services Block Grant for the benefit of the Regional Office of Education #1 Early Intervention Program. The dollar value of below 200% poverty level of direct service spending and targeted case management qualifies as a non-cash transaction under circular A-133.

**Note 5 – Amount of Insurance**

None

**Note 6 – Loans or Loan Guarantees Outstanding**

None