

State of Illinois
BOONE/WINNEBAGO COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 4

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

**BOONE/WINNEBAGO COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 4**

TABLE OF CONTENTS

	PAGE
OFFICIALS	1
COMPLIANCE REPORT SUMMARY	2
FINANCIAL STATEMENT REPORT SUMMARY	4
INDEPENDENT AUDITORS' REPORT	5
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	7
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	9
Schedule of Findings and Questioned Costs	11
Corrective Action Plan for Current Year Audit Findings	18
Management's Discussion and Analysis	20
EXHIBIT	
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	A 26
Statement of Activities	B 27
Balance Sheet - Governmental Funds	C 28
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	D 29
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	E 30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Governmental Funds	F 31

**BOONE/WINNEBAGO COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 4**

TABLE OF CONTENTS (CONTINUED)

	EXHIBIT	PAGE
Statement of Net Assets - Proprietary Funds.....	G.....	32
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds.....	H.....	33
Statement of Cash Flows - Proprietary Funds.....	I.....	34
Statement of Fiduciary Net Assets - Agency Funds.....	J.....	35
Notes to Financial Statements.....		36

REQUIRED SUPPLEMENTARY INFORMATION

Illinois Municipal Retirement Fund - Schedule of Funding Progress		55
---	--	----

SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

SCHEDULE

General Fund Accounts:

Combining Schedule of Accounts.....	1.....	56
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	2.....	57
Budgetary Comparison Schedule.....	3.....	58

Special Revenue Funds:

Education Fund Accounts

Combining Schedule of Accounts.....	4.....	59
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	5.....	60
Budgetary Comparison Schedule.....	6.....	61

Regional Learning Academy

Combining Schedule of Accounts.....	7.....	62
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	8.....	63
Budgetary Comparison Schedule.....	9.....	64

**BOONE/WINNEBAGO COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 4**

TABLE OF CONTENTS (CONTINUED)

	SCHEDULE	PAGE
KIDS Fund		
Combining Schedule of Accounts.....	10	65
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	11	67
Budgetary Comparison Schedules.....	12	69
 Non-Major Special Revenue Funds:		
Combining Balance Sheet.....	13	72
Combining Statement of Revenues Expenditures, and Changes in Fund Balances.....	14	73
 Agency Funds:		
Combining Statement of Fiduciary Net Assets.....	15	74
Combining Statement of Changes in Assets and Liabilities.....	16	75
Schedule of Expenditures of Federal Awards.....	17	77
Notes to Schedule of Expenditures of Federal Awards.....		79

**BOONE/WINNEBAGO COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 4**

OFFICIALS

Regional Superintendent
(current and during the audit period)

Dr. Richard Fairgrievies

Assistant Regional Superintendent
(current and during the audit period)

Dr. Donald Morrison

Office is located at:

300 Heart Blvd.
Loves Park, IL 61111

**BOONE/WINNEBAGO COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 4
JUNE 30, 2005**

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.

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

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

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	12	Controls Over Compliance with Laws and Regulations
05-2	15	Property Records Not Updated Timely
FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)		
None		

**BOONE/WINNEBAGO COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 4
JUNE 30, 2005**

SUMMARY OF FINDINGS AND QUESTIONED COSTS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
		PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)
		None
		PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)
		None

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on December 7, 2005 held at the Boone/Winnebago Counties Regional Office of Education No. 4, 300 Heart Boulevard, Loves Park, Illinois 61111. Representing the ROE were Richard Fairgrievs, Regional Superintendent, Cyndy Sheetz, Interim Office Manager, Thomas McCullough, Office Manager, Joe Thiele, Consultant, Anne Lazzerini and Denise Rux, Bookkeepers. Representing E. C. Ortiz & Co., LLP were Stella B. Santos, Partner and Leilani N. Rodrigo, Manager. Original responses to the recommendations were provided by Richard Fairgrievs in a letter dated January 18, 2006. An updated response was received in a letter dated May 24, 2006.

FINANCIAL STATEMENT REPORT

Financial Presentation Examined

A financial statement audit consists of an audit of an agency's financial statements, including an examination of the underlying books and records, to determine whether those financial statements are fairly presented in accordance with generally accepted accounting principles.

The financial statement report is comprised of the following:

A Summary section providing a brief overview of the financial statement audit.

Auditors' Reports

- An Auditors' Reports section containing statements by the auditors on the scope and results of their audit, as required by applicable professional standards.

Findings and Recommendations

- A Findings & Recommendations section containing sequentially numbered findings in which the auditors note any instances of nonconformity by the agency with applicable laws, rules, regulations, grant agreements, and other standards governing its conduct that were found by the auditors in the course of their review. All findings are discussed with the agency officials during the post audit process.

Each finding generally contains: a description of the condition found; a recommendation by the auditors for corrective action; a response by the agency either accepting or rejecting the auditors' finding; and a description of the agency's plan for addressing the problem.

Financial Statements

- A Financial Statement section generally consisting of:
 - Management's discussion and analysis (MD&A) as required supplementary information;
 - Basic financial statements (entity-wide financial statements, fund financial statements, and notes to the financial statements);
 - Required supplementary information other than MD&A.

Additional financial statements may be presented for agencies with special reporting requirements.

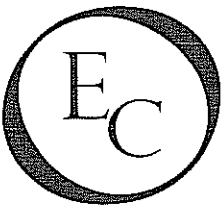
**BOONE/WINNEBAGO COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 4**

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of the Boone/Winnebago Counties Regional Office of Education No. 4 was performed by E. C. Ortiz & Co., LLP.

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



INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boone and Winnebago Counties Regional Office of Education No. 4, as of and for the year ended June 30, 2005, which collectively comprise the Boone and Winnebago Counties Regional Office of Education No. 4's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Boone and Winnebago Counties Regional Office of Education No. 4's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boone and Winnebago Counties Regional Office of Education No. 4, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, 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 September 2, 2005 on our consideration of Boone and Winnebago Counties Regional Office of Education No. 4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

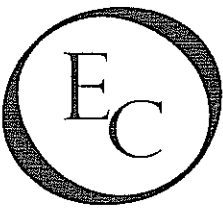
The Management's Discussion and Analysis and the Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 20 to 25 and page 55 are not a required part of the basic financial

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 Boone and Winnebago Counties Regional Office of Education No. 4's basic financial statements. The combining and individual non-major fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 nonmajor fund financial statements, budgetary comparison schedules, 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.

C. C. Gliz & Co. LLP

Chicago, Illinois
September 2, 2005



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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boone and Winnebago Counties Regional Office of Education No. 4, as of and for the year ended June 30, 2005, which collectively comprise the Boone and Winnebago Counties Regional Office of Education No. 4's basic financial statements and have issued our report thereon dated September 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Boone and Winnebago Counties Regional Office of Education No. 4'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting which are 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 item 05-2.

Compliance and Other Matters

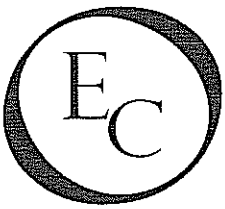
As part of obtaining reasonable assurance about whether the Boone and Winnebago Counties Regional Office of Education No. 4's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance 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 item 05-1.

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.

D. C. Grij & Co. LLC

Chicago, Illinois
September 2, 2005



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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of Boone and Winnebago Counties Regional Office of Education No. 4 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 Boone and Winnebago Counties Regional Office of Education No. 4's major federal programs are identified in the summary of auditors' 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 Boone and Winnebago Counties Regional Office of Education No. 4's management. Our responsibility is to express an opinion on the Boone and Winnebago Counties Regional Office of Education No. 4'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 Boone and Winnebago Counties Regional Office of Education No. 4'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 of the Boone and Winnebago Counties Regional Office of Education No. 4's compliance with those requirements.

In our opinion, the Boone and Winnebago Counties Regional Office of Education No. 4 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.

Internal Control Over Compliance

The management of the Boone and Winnebago Counties Regional Office of Education No. 4 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 Boone and Winnebago Counties Regional Office of Education No. 4'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 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.

E. C. Grij & Co. LLP

Chicago, Illinois
September 2, 2005

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Part I: Summary of the Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None reported

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 section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.357A	Title I - Reading First Part B SEA Funds
84.318X	Technology - Enhancing Education - Competitive
84.010A	Title I - School Improvement & Accountability

Dollar threshold used to distinguish between type A and type B Programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Part II: Findings Related to the Basic Financial Statements

FINDING NO. 05-1 - Controls Over Compliance with Laws and Regulations

Criteria/specific requirements:

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:

Boone/Winnebago Counties Regional Office of Education No. 4 is not examining all books, accounts, and vouchers of every school treasurer in its 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 signs off on the Annual Financial Reports from the school districts in his region. In addition, the Regional Office gets a spreadsheet from the Illinois State Board of Education (ISBE) that outlines all of the school districts and their audit exceptions, if any. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.

While these are reviews involving the finances of school treasurers, they are not in the level of detail required by 105 ILCS 5/3-14.11.

Effect:

The Regional Office of Education No. 4 did not comply with statutory requirements.

Cause:

Boone/Winnebago Counties Regional Office of Education No. 4 management stated that the procedures currently being performed are deemed sufficient to comply with this mandate.

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Part II: Findings Related to the Basic Financial Statements (Continued)

FINDING NO. 05-1 - Controls Over Compliance with Laws and Regulations (Continued)

Auditors' Recommendations:

The Regional Office of Education No. 4 should 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:

Following is my response as Regional Superintendent to the Finding in the FY2005 audit of the Boone-Winnebago Regional Office of Education by the Illinois Auditor General, for failing to comply with 105 ILCS 5/3-14.11:

School treasurer's books, accounts and vouchers. To 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.

When I read this "Finding" in the Boone-Winnebago Regional Office of Education FY2005 Audit, to say I was shocked is putting it mildly. After reviewing ROE audits for twenty years, I have never seen this Section of the Code mentioned either as a comment or a concern, and I have searched diligently for the "Standard" I would need to meet in order to comply with this Finding.

It is one thing to point out that the Regional Office is not complying with a certain section of the School Code, but it is another thing to specify what the office would need to do to comply.

This Section of the School Code is over a hundred years old. It was originally enacted when the educational delivery system was made up of 15,000 districts which consisted mainly of one-room school districts and the money was handled by the township treasurers.

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Part II: Findings Related to the Basic Financial Statements (Continued)

FINDING NO. 05-1 - Controls Over Compliance with Laws and Regulations (Continued)

Management's Response (continued):

That was before the school districts were required to have an annual financial audit by a certified public accountant. Today, every school district, cooperative, and intergovernmental agreement must have an annual financial audit and these audits are reviewed by the Regional Office before being forwarded to Illinois State Board of Education.

In addition to Section 5/3-14.11, we need to keep in mind Section 5/3-7 of the School Code, which states that:

If...any school district in any Class I county school units fail to prepare and forward or cause to be prepared and forwarded to the regional superintendent of schools, reports required by this Act, the regional superintendent of schools shall furnish such information or shall employ a person or persons to furnish such information, as far as practicable...

There is no doubt that the Regional Superintendent of Schools has the authority to conduct an audit of a school district if the need arises. However, to place this financial burden on the people of Illinois without reasonable cause seems an unreasonable interpretation of this section of the School Code.

In reviewing the costs for the FY2004 school district audits in the Boone-Winnebago Region, districts spent approximately 220,000 dollars or an average of 17,000 dollars per district. The statewide cost could be in excess of 15 million dollars. It is hard for me to believe that the General Assembly intended to have the taxpayers bear this financial burden.

Auditor's Comment

The statutes (105 ILCS 5/3-14.11), not the auditors, specify what the Regional Offices must do to comply with this mandate. The General Assembly enacts statutory requirements, and it is the auditors' responsibility to determine the extent to which the Regional Offices are complying with them. Recognizing that the law has been in effect for over 50 years and much has changed over that time, the auditors included in their recommendation that the Regional Superintendents should seek to have the mandate repealed if they believe it is outdated. Further, with regard to the dollar figures presented in its response, the ROE appears to be confusing the annual audit already mandated by the General Assembly for each school district with the requirement of 105 ILCS 5/3-14.11 that the ROE review all books, accounts, and vouchers of each school treasurer.

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Part II: Findings Related to the Basic Financial Statements (Continued)

FINDING NO. 05-2 - Property Records Not Updated Timely

Criteria/Specific Requirements:

The Regional Office of Education (ROE) Accounting Manual requires each ROE to maintain detailed fixed asset records for both accounting purposes as well as insurance purposes for fixed assets costing \$500 and above. Generally accepted accounting principles require that an inventory of all fixed assets be maintained and property records be updated to reflect all existing items as of year-end.

Condition:

In our detailed testing of equipment purchases, we noted that 2 out of 20 (10%) items tested for equipment purchased during the year totaling \$11,285 were not recorded in the property records. Details of these items are as follows:

<u>Date Acquired</u>	<u>Description</u>	<u>Amount</u>
6/1/05	Optiplex 170L Desktop CPU	\$ 1,003 *
3/21/05	IBM XSeries 236 Xeon Server	10,282 *
		<u>\$ 11,285</u>

* Subsequently updated in property records upon our notification

Effect:

Failure to update property records promptly results in inaccurate and incomplete property records. It could also result in incorrect accounting information and inaccurate financial reporting. Loss of property and equipment may not be detected timely or remain undetected without an accurate property inventory listing.

Cause:

Boone/Winnebago Counties Regional Office of Education No. 4 management stated that these exceptions were due to oversight of the bookkeeper in charge of updating property records.

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Part II: Findings Related to the Basic Financial Statements (Continued)

FINDING NO. 05-2 - Property Records Not Updated Timely (Continued)

Auditors' Recommendations:

Boone/Winnebago Counties Regional Office of Education No. 4 should update its property records on a timely basis. A reconciliation of the fixed asset listing and the equipment purchases in the general ledger should also be performed on a monthly basis to ensure that all equipment purchases are tagged and recorded in the property records. All reconciling items should be disposed in a timely manner. The fixed asset listing should also be checked for accuracy and existence through annual physical inventory.

Management's Response:

We agree with the recommendations. The Office Manager will be responsible for the inventory of all property for the Regional Office of Education and Kishwaukee Intermediate Delivery System (KIDS). Items over five hundred dollars (\$500.00) will be tagged before they are put into service. The tag numbers for both offices will be sequential. The listing of the items on the inventory will reflect the delivery sequence and be kept on file with the Office Manager.

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NONCOMPLIANCE:

None

REPORTABLE CONDITIONS:

None

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
JUNE 30, 2005**

FINDING NO. 05-1 - Controls Over Compliance with Laws and Regulations

Condition:

Boone/Winnebago Counties Regional Office of Education No. 4 is not examining all books, accounts, and vouchers of every school treasurer in its 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 signs off on the Annual Financial Reports from the school districts in his region. In addition, the Regional Office gets a spreadsheet from the Illinois State Board of Education (ISBE) that outlines all of the school districts and their audit exceptions, if any. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.

While these are reviews involving the finances of school treasurers, they are not in the level of detail required by 105 ILCS 5/3-14.11.

Plan:

The Regional Offices of Education will request that the General Assembly delete 105 ILCS 5/3-14.11 from the statutes and will seek a legislative solution to other obsolete passages.

Anticipated Date of Completion:

Before the end of FY 2006.

Name of Contact Person:

Thomas C. McCullough, Regional Office of Education No. 4 Office Manager

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
JUNE 30, 2005**

FINDING NO. 05-2 - Property Records Not Updated Timely

Condition:

In our detailed testing of equipment purchases, we noted that 2 out of 20 (10%) items tested for equipment purchased during the year totaling \$11,285 were not recorded in the property records. Details of these items are as follows:

<u>Date Acquired</u>	<u>Description</u>	<u>Amount</u>
6/1/05	Optiplex 170L Desktop CPU	\$ 1,003 *
3/21/05	IBM XSeries 236 Xeon Server	10,282 *
		<u>\$ 11,285</u>

* Subsequently updated in property records upon our notification

Plan:

The Office Manager will be responsible for the inventory of all property for the Regional Office of Education and Kishwaukee Intermediate Delivery System (KIDS). Items over five hundred dollars (\$500.00) will be tagged before they are put into service. The tag numbers for both offices will be sequential. The listing of the items on the inventory will reflect the delivery sequence and be kept on file with the Office Manager.

Anticipated Date of Completion:

Ongoing.

Name of Contact Person:

Thomas C. McCullough, Regional Office of Education No. 4 Office Manager

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

The Boone/Winnebago Counties Regional Office of Education No. 4 (ROE No. 4) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2005 with comparative information for the year ended June 30, 2004. Readers are encouraged to consider the information in conjunction with the ROE No. 4's basic financial statements.

2005 Financial Highlights

- Within the Governmental Funds, the General Fund revenues increased by \$62,559 (8%) from \$796,892 in FY 2004 to \$859,451 in FY 2005. General Fund expenditures decreased by \$60,111 (7%) from \$885,303 in FY 2004 to \$825,192 in FY 2005.
- Within the Governmental Funds, the Special Revenue Fund revenues increased by \$1,275,625 (31%) from \$4,180,475 in FY 2004 to \$5,456,100 in FY 2005. The Special Revenue Fund expenditures increased by \$1,379,811 (36%) from \$3,795,381 in FY 2004 to \$5,175,192 in FY 2005.
- The Enterprise Fund revenues increased by \$59,802 (15%) from \$403,105 in FY 2004 to \$462,907 in FY 2005. The Enterprise Fund expenditures decreased by \$76,808 (19%) from \$412,386 in FY 2004 to \$335,578 in FY 2005.
- The ROE No. 4 has no long term debt.

Using This Report

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

- *Management's Discussion and Analysis* introduces financial statements and provides an analytical overview of the Regional Office's financial activities.
- The *Government-wide financial statements* consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the ROE No. 4 as a whole and present an overall view of the Office's finances.
- *Fund financial statements* report the ROE No. 4's operations in more detail than the government-wide statements by providing information about the most significant funds.
- *Notes to the financial statements* provide additional information that is needed for a full understanding of the data provided in the basic financial statements.
- *Required supplementary information* further explains and supports the financial statements and other supplementary information provides detailed information about the major and non-major funds.

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

Reporting the Boone/Winnebago Counties Regional Office as a Whole

It is important to note, that many grants are a cooperative effort of the ROE No. 4 and the DeKalb County Regional Office of Education and the McHenry County Regional Office of Education No. 44. Therefore, these figures may reflect grants that are intended to serve Boone/Winnebago Counties only and grants that serve DeKalb County and McHenry County.

The Statement of Net Assets and the Statement of Activities

The Government-wide statements report information about the ROE No. 4 as a whole. The Statement of Net Assets includes all of the 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 using Generally Accepted Accounting Principles and GASB 34.

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

- Over time, increases or decreases in the net assets can be an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the ROE No. 4's overall financial condition, additional non-financial factors, such as new laws, rules, regulations, and actions by officials at the state level need to be considered.

The Government-wide financial statements present the Office's activities as governmental and business-type activities. Local, state and federal funds finance most of the governmental activities while local workshops finance most of the business-type activities.

Fund Financial Statements

The fund financial statements provide detailed information about the Regional Office's funds. Funds are accounting devices that allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by state law. The ROE No. 4 established other funds to control and manage money for particular purposes.

The Office has three kinds of funds:

- (1) Governmental funds account for all of the ROE No. 4's services. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balances left at the year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

whether there are more or fewer resources that can be spent in the near future to finance the Office's programs. The Office's Governmental Funds include the General Fund and the Special Revenue Funds.

The governmental funds required financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances.

- (2) Proprietary funds account for resources from fees charged directly to those entities or individuals that use its services. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by government-wide financial statements but with more detail for major and non-major enterprise funds. The proprietary funds required financial statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.
- (3) Fiduciary funds are used to account for assets held by the Regional Office of Education No. 4 in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds required financial statements include a Statement of Fiduciary Net Assets.

Government-Wide Financial Analysis

As noted earlier, net assets may serve when examined over time as one indicator of the financial position of the ROE No. 4. The net assets at the end of FY 2005 totaled \$3,271,608. At the end of FY 2004, the net assets were \$2,837,630. The analysis that follows provides a summary of the ROE No. 4's net assets as of June 30.

CONDENSED STATEMENT OF NET ASSETS

	2005	2004
Current assets	\$ 3,805,808	\$ 3,219,959
Capital assets, net of depreciation	58,229	66,747
Total assets	<u>3,864,037</u>	<u>3,286,706</u>
Current liabilities	592,429	449,076
Total liabilities	<u>592,429</u>	<u>449,076</u>
Net assets:		
Invested in capital assets, net of related debt	58,229	66,747
Unrestricted	3,213,379	2,770,883
Total net assets	<u>\$ 3,271,608</u>	<u>\$ 2,837,630</u>

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

The ROE No. 4's net assets increased by \$433,978 (33%) from FY 2004. The increase occurred primarily in the Regional Safe Schools Program - General State Aid due to excess of revenues over expenses.

CHANGES IN NET ASSETS

	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 992,886	\$ 736,333
Operating grants and contributions	4,870,270	3,819,401
General revenues:		
On-behalf payments	410,224	350,404
State sources	308,110	353,295
Local sources	135,756	87,638
Interest income	61,212	33,401
Total revenues	<u>6,778,458</u>	<u>5,380,472</u>
Expenses:		
Program Expenses:		
Instructional services	5,598,678	4,299,774
Professional development	335,578	404,788
Administrative	410,224	350,404
Total expenses	<u>6,344,480</u>	<u>5,054,966</u>
Change in net assets	433,978	325,506
Net assets beginning of year	2,837,630	2,512,124
Net assets end of year	<u>\$ 3,271,608</u>	<u>\$ 2,837,630</u>

Governmental Activities

Revenues for governmental activities were \$6,315,551 and expenditures were \$6,000,384. Governmental revenues increased by \$1,338,184 (27%) due to additional Title I - School Improvement and Accountability and Technology - Enhancing Education - Competitive grants. Accordingly, expenditures increased by \$1,319,700 (28%) due to the related expenditures of said grants. The ROE No. 4 also did not fill some vacant job positions.

Financial Analysis of the ROE No. 4 Funds

As previously noted, the ROE No. 4 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency's Governmental Funds reported combined fund balances were \$2,928,022.

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

Governmental Fund Highlights

- The Governor of the State of Illinois line item vetoed a portion of the state financial support for school services. The funding has been reduced 56% since FY 2003. This reduction has resulted in a reduction in staff and in services. Presently, services are primarily restricted to schools that are in status under the No Child Left Behind law.
- The dollar return on investments (certificate of deposit, short-term investments and interest earned on a float), has slightly increased due to an average increase in the interest rate. Additional grants were added to help offset any deficit.
- There was an increase in the state aid foundation level to \$4,964 per student from \$4,810. This helped to offset the reduction in the grant dollars provided for the Safe Schools Program.
- County support for the ROE No. 4 has been reduced by 35% in the last five years.

Proprietary Fund Highlights

Total proprietary fund net assets increased by \$127,329 (81%). This year's operations resulted to an income due to increase in workshop activities.

Fiduciary Fund Highlights

There was no significant movement in fiduciary funds for FY 2005. Total fiduciary net assets only decreased by \$71,091 (8%). Transactions during FY 2005 represent mainly transfers in and out of funds for Payroll Fund and CEANCI (Career Educational Associates of North Central Illinois).

Budgetary Highlights

The ROE No. 4 annually adopts budgets for several funds. The General Fund Accounts and, KIDS Accounts are prepared by the Regional Superintendent and serve as a guideline for activities and expenditures. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the County Board for their approval. The Office Operations Budget covers a fiscal year which runs from October 1 to September 30. All grant budgets are prepared by the ROE No. 4 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency.

Capital Assets

ROE No. 4's capital assets include office equipment, computers, audio-visual equipment, and office furniture. The ROE No. 4 maintains an inventory of capital assets which have been

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

accumulated over time. Total additions for FY 2005 were \$34,870 and there were no retirements. Depreciation expense for FY 2005 was \$43,388.

Economic Factors and Next Years' Budget

At the time these financial statements were prepared and audited, the ROE No. 4 was aware of several existing circumstances that could affect its financial condition in the future:

- The state aid foundation level has increased to \$5,164 per student.
- The interest rate on investments shows a slight increase.
- Most grants have remained near or at previous levels. However, the School Services grant has again been reduced by 13% compared to FY 2005. It is important to understand that this reduction in School Services dollars has not resulted in a reduction of required initiatives. On the contrary, there has been an increase in required initiatives.
- County Board support for ROE No. 4 will be increased by 9%.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the ROE No. 4's citizens, taxpayers, clients, and other constituents with a general overview of its finances and to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the ROE No. 4 at 300 Heart Blvd., Loves Park, IL 61111.

BASIC FINANCIAL STATEMENTS

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
STATEMENT OF NET ASSETS
JUNE 30, 2005

EXHIBIT A

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,515,959	\$ 253,620	\$ 3,769,579
Due from other governmental agencies	36,229	-	36,229
Total current assets	<u>3,552,188</u>	<u>253,620</u>	<u>3,805,808</u>
Noncurrent assets:			
Capital assets, net	58,229	-	58,229
TOTAL ASSETS	<u>3,610,417</u>	<u>253,620</u>	<u>3,864,037</u>
LIABILITIES			
Accounts payable	465,669	-	465,669
Deferred revenues	124,842	-	124,842
Due to other funds	32,955	(31,737)	1,218
Due to other governmental agencies	700	-	700
TOTAL LIABILITIES	<u>624,166</u>	<u>(31,737)</u>	<u>592,429</u>
NET ASSETS			
Invested in capital assets	58,229	-	58,229
Unrestricted	2,928,022	285,357	3,213,379
TOTAL NET ASSETS	<u>\$ 2,986,251</u>	<u>\$ 285,357</u>	<u>\$ 3,271,608</u>

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

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2005

EXHIBIT B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contribution	Governmental Activities	Business-Type Activities	
FUNCTIONS/PROGRAMS						
Primary government						
Governmental activities:						
Instructional services						
Salaries	\$ 1,989,713	\$ 184,465	\$ 1,728,162	\$ (77,086)	\$ -	\$ (77,086)
Benefits	419,117	37,618	357,175	(24,324)	-	(24,324)
Purchased services	1,947,825	188,753	1,671,927	(87,145)	-	(87,145)
Supplies and materials	316,166	29,611	262,921	(23,634)	-	(23,634)
Capital outlay	306,367	32,950	312,851	39,434	-	39,434
Miscellaneous	23,582	-	-	(23,582)	-	(23,582)
Payments to other governmental units	552,520	56,582	537,234	41,296	-	41,296
Depreciation	43,388	-	-	(43,388)	-	(43,388)
Administrative						
On-behalf payments	410,224	-	-	(410,224)	-	(410,224)
Total governmental activities	6,008,902	529,979	4,870,270	(608,653)	-	(608,653)
Business-type activities:						
Professional development	335,578	462,907	-	-	127,329	127,329
Total business-type activities	335,578	462,907	-	-	127,329	127,329
Total primary government	\$ 6,344,480	\$ 992,886	\$ 4,870,270	(608,653)	127,329	(481,324)
General revenues:						
Local sources				135,756	-	135,756
State sources				308,110	-	308,110
Interest income				61,212	-	61,212
On-behalf payments				410,224	-	410,224
Total general revenues and transfers				915,302	-	915,302
Change in net assets				306,649	127,329	433,978
Net assets - beginning				2,679,602	158,028	2,837,630
Net assets - ending				\$ 2,986,251	\$ 285,357	\$ 3,271,608

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

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2005

EXHIBIT C

	General Fund	Education Fund	Institute Fund	Other Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 333,270	\$ 2,732,963	\$ 253,686	\$ 196,040	\$ 3,515,959
Due from other governmental agencies	-	36,229	-	-	36,229
Due from other funds	1,634	1,089	434	2,050	5,207
TOTAL ASSETS	334,904	2,770,281	254,120	198,090	3,557,395
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	5,221	433,961	25,041	1,446	465,669
Deferred revenues	-	124,842	-	-	124,842
Due to other funds	4,162	30,000	4,000	-	38,162
Due to other governmental agencies	-	700	-	-	700
Total liabilities	9,383	589,503	29,041	1,446	629,373
FUND BALANCES					
Unreserved, reported in:					
General fund	325,521	-	-	-	325,521
Special revenue funds	-	2,180,778	225,079	196,644	2,602,501
Total fund balances	325,521	2,180,778	225,079	196,644	2,928,022
TOTAL LIABILITIES AND FUND BALANCES	\$ 334,904	\$ 2,770,281	\$ 254,120	\$ 198,090	\$ 3,557,395

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

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

EXHIBIT D

Total fund balances - governmental funds	\$ 2,928,022
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	<u>58,229</u>
Net assets of governmental activities	<u>\$ 2,986,251</u>

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

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

EXHIBIT E

	General Fund	Education Fund	Institute Fund	Other Non-Major Funds	Total Governmental Funds
REVENUES					
Federal sources	\$ -	\$ 2,645,914	\$ -	-	\$ 2,645,914
State sources	308,110	2,221,156	-	3,200	2,532,466
Local sources					
Licenses and permits	-	-	219,562	-	219,562
Interest income	5,361	48,211	4,606	3,034	61,212
Fees for services	135,756	238,720	-	66,325	440,801
Miscellaneous	-	-	5,372	-	5,372
On-behalf payments	410,224	-	-	-	410,224
Total revenues	859,451	5,154,001	229,540	72,559	6,315,551

EXPENDITURES					
Current:					
Instructional services:					
Salaries	188,440	1,777,335	-	23,938	1,989,713
Benefits	51,779	367,338	-	-	419,117
Purchased services	104,666	1,715,325	114,577	13,257	1,947,825
Supplies and materials	27,017	264,842	4,349	19,958	316,166
Capital outlay	19,484	321,753	-	-	341,237
Miscellaneous	23,582	-	-	-	23,582
Payments to other governments	-	552,520	-	-	552,520
On-behalf payments	410,224	-	-	-	410,224
Total expenditures	825,192	4,999,113	118,926	57,153	6,000,384

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	34,259	154,888	110,614	15,406	315,167
FUND BALANCES, UNRESERVED, BEGINNING OF YEAR	291,262	2,025,890	114,465	181,238	2,612,855
FUND BALANCE, UNRESERVED, END OF YEAR	\$ 325,521	\$ 2,180,778	\$ 225,079	\$ 196,644	\$ 2,928,022

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

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005**

EXHIBIT F

Net change in fund balances		\$ 315,167
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Capital outlay	\$ 34,870	
Depreciation expense	<u>(43,388)</u>	<u>(8,518)</u>
Change in net assets of governmental activities		<u>\$ 306,649</u>

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

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2005

EXHIBIT G

	Business Type Activities - Enterprise Funds		Total
	Local Workshop	Curriculum 2004	
ASSETS			
Cash and cash equivalents	\$ 239,335	\$ 14,285	\$ 253,620
Due from other funds	31,737	-	31,737
Total assets	<u>271,072</u>	<u>14,285</u>	<u>285,357</u>
LIABILITIES			
Accounts payable	-	-	-
NET ASSETS			
Unrestricted	<u>\$ 271,072</u>	<u>\$ 14,285</u>	<u>\$ 285,357</u>

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

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005**

EXHIBIT H

	Business Type Activities - Enterprise Funds		Total
	Local Workshop	Curriculum 2004	
OPERATING REVENUES			
Services	\$ 445,377	\$ 17,530	\$ 462,907
OPERATING EXPENSES			
Salaries	889	-	889
Purchased services	288,519	11,361	299,880
Supplies and materials	25,680	-	25,680
Capital expenditures	9,089	-	9,089
Other	40	-	40
Total operating expenses	<u>324,217</u>	<u>11,361</u>	<u>335,578</u>
OPERATING INCOME	121,160	6,169	127,329
NET ASSETS, July 1, 2004	<u>149,912</u>	<u>8,116</u>	<u>158,028</u>
NET ASSETS, June 30, 2005	<u>\$ 271,072</u>	<u>\$ 14,285</u>	<u>\$ 285,357</u>

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

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

EXHIBIT I

	Business Type Activities - Enterprise Funds		
	Local Workshop	Curriculum 2004	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts for workshops and services	\$ 445,377	\$ 17,530	\$ 462,907
Payments to suppliers	(333,614)	(11,361)	(344,975)
Payments to employees	(889)	-	(889)
Net cash provided by operating activities	<u>110,874</u>	<u>6,169</u>	<u>117,043</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:			
Advances to other funds	(30,000)	-	(30,000)
Net cash used in non capital financing activities	<u>(30,000)</u>	<u>-</u>	<u>(30,000)</u>
NET INCREASE IN CASH	80,874	6,169	87,043
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>158,461</u>	<u>8,116</u>	<u>166,577</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 239,335</u>	<u>\$ 14,285</u>	<u>\$ 253,620</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 121,160	\$ 6,169	\$ 127,329
Adjustments to reconcile operating income to net cash provided by operating activities:			
Effects of changes in assets and liabilities:			
Accounts payable	(10,286)	-	(10,286)
Net cash provided by operating activities	<u>\$ 110,874</u>	<u>\$ 6,169</u>	<u>\$ 117,043</u>

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

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2005**

EXHIBIT J

ASSETS

Cash and cash equivalents	\$ 863,174
Due from other funds	<u>1,218</u>
Total assets	<u><u>864,392</u></u>

LIABILITIES

Due to other governmental agencies	<u><u>\$ 864,392</u></u>
------------------------------------	--------------------------

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

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Boone/Winnebago Counties Regional Office of Education No. 4 (Regional Office; ROE) operates under the School Code (Articles 3 and 3A of Illinois Compiled Statutes, Chapter 105). This encompasses Boone and Winnebago Counties, Illinois. The Regional Superintendent of Schools (Superintendent) serves as chief administrative officer of the Regional Office of Education No. 4 and is elected pursuant to Article 3 of Illinois Compiled Statutes, Chapter 105. The principal financial duty of the Superintendent is to receive and distribute monies due to school districts from general state aid, state categorical grants, and various other sources.

The basic financial statements include all funds of Regional Office of Education No. 4.

These are the only activities considered to be part of (controlled by or dependent on) the Regional Office of Education No. 4, as determined by the application of the criteria set forth in Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity. The criteria for inclusion of an entity include, but are not limited to, legal standing, fiscal dependency, imposition of will and potential for financial benefit or burden.

Boone/Winnebago Counties Regional Office of Education No. 4 has determined that no other outside agency meets any of the above criteria and, therefore, no other agency has been included as a component unit in the financial statements. Furthermore, the Boone/Winnebago Counties Regional Office of Education No. 4 does not consider itself to be a component unit of any other entity.

B. Change in Accounting Principles

Effective July 1, 2004, the Boone/Winnebago Counties Regional Office of Education No. 4 adopted GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, an amendment of GASB Statement No. 3. This new standard enhances the deposit and investment risk disclosures by updating the custodial credit risk disclosure requirements of GASB Statement No. 3 and addressing other common risks, including concentration of credit risk, interest rate risk and foreign currency risk. The implementation did not have a significant impact on the Boone/Winnebago Counties Regional Office of Education No. 4's financial statements.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between those activities of the ROE that are governmental in nature and those that are considered business-type activities. *Governmental activities* normally are supported by operating grants and contributions, charges for services and intergovernmental revenues. *Business-type activities* normally are supported by amounts assessed or received from local sources for the ROE programs.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to users who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

Certain 2004 amounts have been reclassified to conform to the 2005 presentation. Curriculum 2004 fund activities have been classified and reported in prior years as special revenue funds and are currently classified and reported as proprietary funds.

D. Measurement, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. 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 revenues are recognized as soon all eligibility requirements imposed by the provider have been met.

Governmental fund and fiduciary financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Boone/Winnebago Counties Regional Office of Education No. 4 considers revenues as available if they are collected within 60 days after year-end. Expenditures are generally recorded when a liability is incurred, as under accrual

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

accounting. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements 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; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable 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.

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

The proprietary fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

When both restricted and unrestricted resources are available for use, it is the ROE's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

The accounts are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund and account group are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. The resources are allocated to and accounted for in individual funds and account groups based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following summarizes the fund types and account groups used:

Governmental Fund Types

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

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

General Fund - to account for resources traditionally associated with government which are not required, legally or by sound financial management, to be accounted for in another fund. The general fund is reported as a major governmental fund in the financial statements. The following are the general funds:

ROE/ISC Operations - to account for grant monies received for, and payment of expenditures for, assisting schools in all areas of school improvement.

General Operations - to account for monies received for, and payment of, expenditures in connection with general administrative activities.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than expendable trusts) that are legally restricted to expenditures for specified purposes.

The Boone and Winnebago Counties Regional Office of Education No. 4 reported the following special revenue funds as major governmental funds:

Education Fund - to account for State and Federal grant monies received for, and payment of, administrating numerous grant awards which include:

Federal Special Education - IDEA Flow-Through - to account for grant monies received for, and payment of, expenditures for a Special Education Program.

Regional Alternative School - to account for grant monies received for, and payment of, expenditures for an alternative education program.

Regional Learning Center - Workforce Investment Act - to account for grant monies received for, and payment of, expenditures associated with the WIA Program grant designed to provide vocational training services and coordination of activities to the economically disadvantaged.

Regional Learning Academy - to account for grant monies received for, and payment of, expenditures for the Regional Learning Academy. This fund includes the following:

Regional Safe Schools - to account for grant monies received for, and payment of, expenditures to change the program for expulsion/suspension eligible students.

General State Aid and Lunch - to account for grant monies received for, and payment of, expenditures for regional learning academy supplements.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Title IV - Community Service - to account for monies received for, and payment of expenditures for Safe and Drug Free Schools and Communities Programs. These programs enhance the Nation's efforts to prevent illegal use of drugs and violence among, and promote safety and discipline for, students at all levels in the community.

Truants Alternative Program - to account for grant monies received for, and payment of, expenditures for optional education opportunities to school dropouts, potential dropouts and truants of the Region.

KIDS Fund - to account for grant monies received for, and payment of, expenditures for the Kishwaukee Intermediate Delivery System Intergovernmental Agreement. This fund includes the following:

Technology - Enhancing Education - Competitive - to account for grant monies received for, and payment of expenditures for providing computer software and hardware to schools.

Education Technology - Resource - to account for monies received from schools for workshops related to the Education Technology Competitive Grant.

Title I - Reading First Part B SEA Funds - funds provide assistance to school districts in establishing reading programs for students in kindergarten through third grade that are based on scientifically based reading research. Reading first also focuses on teacher development and ensuring that all teachers, including special education teachers, have the tools they need to effectively help their students learn to read.

Standards Aligned Classroom Initiative - to account for resources accumulated for, and payment of, expenditures of the Standards Aligned Classroom Program. This supports teams that develop curriculum aligned with the Illinois Academic Standards.

Other State Programs - to account for grant monies received, and the payment of, expenditures incurred for the Standard Assessment Program. This program provides services to schools that are on "status" under No Child Left Behind. The grant provides training and technical assistance to the schools and helps them understand the causes for their student academic problems. The grant then helps the schools develop plans to address the problems.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Title II - Teacher Quality Leadership Grant - to account for grant monies received for, and payment of expenditures for the Teacher Quality Leadership Programs. These programs aim to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement.

Title I - School Improvement & Accountability - The Illinois State Board of Education Quality Assurance Process consists of an external visit to audit each school every few years and an internal review that each school must conduct annually. The Boone/Winnebago Counties Regional Office of Education No. 4 is charged with supporting and guiding schools through this complex school improvement process so that teaching and learning are improved every year.

Learning Technology Center - to account for monies from State of Illinois for expenditures incurred to create and support ongoing learning teams focused on alignment of classroom level assessment and instruction.

T-1 Line/DeKalb - to account for grant monies received for, and payment of expenditures for the technology phone line set up for DeKalb.

Title V - Innovative Programs - to account for funds received for, and payment of, expenditures of Title V - Innovative Programs. The purpose of these programs is to provide a continuing source of innovation and educational improvement.

Web Wise Kids - to account for funds received for, and payment of, expenditures of Web Wise Kids Programs. The purpose of these programs is to provide training to middle and high school teachers to spread the on-line safety program. This program will help students recognize on-line predators. The training is through CD simulation or an internet site.

Institute - to account for fees collected for the registration and renewal of teaching certificates. These fees are used to defray administrative expenses incidental to teachers' institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers or for the purpose of defraying the expense of any general or special meeting of teachers or school personnel.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Other Non-Major Funds - The Boone and Winnebago Counties Regional Office of Education No. 4 reported the following special revenue funds as non-major governmental funds.

General Education Development (GED) - to account for the revenues and expenditures associated with the processing of applications for the high school level Test of GED and the issuance of diplomas upon successful completion of the examination.

Bus Driver Training - to account for resources accumulated for, and the payment of, expenses from instructional training courses for school bus drivers.

Supervisory - to account for resources accumulated for, and the payment of, expenditures incurred in providing supervisory services.

Educational Service Center No. 1 - to account for resources accumulated for, and the payment of, expenditures of the Educational Service Center No. 1.

Proprietary Funds - to account for resources from fees charged directly to those entities or individuals that use its services.

Local Workshop - to account for contract monies received for, and payment of, expenditures for workshops and other services for the school districts.

Curriculum 2004 - to account for monies received from school districts for seminars/meetings held for the improvement of the schools' curriculum.

Fiduciary Fund Type

Fiduciary Funds are used to account for assets held in a trustee capacity or as an agent for individuals or private or governmental organizations. The Fiduciary Funds include the following:

Agency Funds - custodial in nature (assets equal liabilities) and do not involve measurement of operations. The agency funds include the following:

Distributive - to account for funds received and disbursed as a result of the Superintendent's responsibility to receive and distribute to treasurers of other agencies.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Audio Visual Co-op - to account for funds received and disbursed by the Superintendent as administrative agent for the Boone/Winnebago Audio Visual Co-op.

CEANCI - to account for funds received and disbursed by the Superintendent as administrative agent for the Career Educational Associates of North Central Illinois Joint Agreement.

Regional Board of School Trustees - to account for funds received and disbursed by the Superintendent as administrative agent for the Regional Board of School Trustees.

Payroll - to account for all payroll that is incurred. Any fund that has payroll remits the money to the Payroll Fund, the Fund then pays the employee. This is an administrating agent for the ROE's payroll.

F. Interest Revenue

Illinois State Board of Education (ISBE) funds received by the ROE for the Distributive Fund accrue interest for the period of time between the receipt of the funds and clearance of checks to the recipient. In accordance with an agreement dated May 24, 1988 with the school district boards served, interest earned on Distributive Fund deposits is transferred to the General Fund to offset wire service and other bank charges incurred by the Distributive Fund.

Distributive Fund interest earned and related charges are recognized as revenues and expenditures in the general fund.

G. License and Permits

License and permit revenues are recognized in the year for which the licenses or permits are issued. Teacher certification revenues are recognized over a five year period when applicable.

H. Revenues - Exchange and Non-exchange Transactions

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

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

I. Capital Assets

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

Capital assets are recorded at cost at time of acquisition or fair value at the date of donation. The ROE capitalizes items costing \$5,000 or more. Depreciation is calculated on a straight-line basis over the estimated useful lives (three to forty years) of the respective assets.

J. Deferred Revenues

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

K. Net Assets

Net assets present the difference between assets and liabilities in the Statement of Net Assets. Net assets of the ROE are classified as follows:

Invested in Capital Assets - represents the ROE's total investment in capital assets. There is no outstanding debt related to these assets at this time.

Unrestricted Net Assets - represent resources used for transactions relating to the general operations of the ROE and may be used at the discretion of management to meet expenses for any purpose.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

L. Management Estimates

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

M. Investments and Cash Accounts

State regulations require that the Boone and Winnebago Counties Regional Office of Education No. 4 deposit funds under its control into accounts insured by the federal government, secured by substantial collateral or into pooled investment trusts. All funds not needed for immediate disbursements are maintained in interest bearing accounts. Statutes authorize the Boone and Winnebago Counties Regional Office of Education No. 4 to make deposits or invest in obligation of states and their political subdivisions, savings accounts, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Public Treasurer's Investment Pool.

N. Budgets and Budgetary Accounting

Program budgets are prepared for the following intergovernmental grant funds: ROE/ISC Operations, Truants Alternative Program, Regional Safe Schools, Title I - Reading First Part B SEA Funds, Other State Programs, Title II - Teacher Quality Leadership Grant, Title I - School Improvement & Accountability, Learning Technology Center, and Title V - Innovative Programs. Boone/Winnebago Regional Office of Education No. 4 has no formal budget process and does not prepare annual budgets for any other funds except for the ones mentioned above and is not legally required to do so.

O. Prior Period Adjustment

The ROE has recorded a prior period adjustment to the beginning fund balances of individual funds within the Regional Learning Academy fund, namely, Regional Safe Schools and General State Aid and Lunch for the fiscal year 2005. Certain services and expenses were charged to the General State Aid and Lunch fund instead of the Regional Safe Schools fund in fiscal year 2003 in the amount of \$74,621. As a result, beginning fund balances have been reduced/increased to reflect such adjustment. There was no effect on overall beginning fund balance of the Regional Learning Academy fund.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 2 - INTERGOVERNMENTAL AGREEMENT

On August 7, 1992, the Boone/Winnebago Counties Regional Office of Education No. 4 entered into an Intergovernmental Agreement executed pursuant to the provisions of the Intergovernmental Cooperation Clause of the Illinois Constitution as well as the provisions of the Intergovernmental Cooperation Act of 1973 and the Illinois Admin. Code 525.110.

The name of the Educational Service delivery system formed is known as the Kishwaukee Intermediate Delivery System (KIDS). Membership in KIDS is made up of the following Regional Offices of Education: Boone/Winnebago, DeKalb, and McHenry. The Boone/Winnebago ROE was designated as Administrative Agent.

NOTE 3 - CASH AND INVESTMENTS

The Boone/Winnebago Counties Regional Office of Education No. 4 utilizes several different bank accounts for its various activities. The book balance of such accounts is \$4,632,753 at June 30, 2005, while the bank balance was \$4,982,967. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2005.

Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, the ROE's deposits may not be recovered. Originally, GASB Statement No. 3 discussed three categories of custodial credit risk as follows:

Category 1 includes deposits covered by depository insurance or collateral held by Boone/Winnebago Counties Regional Office of Education No. 4 in its name.

Category 2 includes deposits covered by collateral held by the financial institutions in a pledged safekeeping account in the name of Boone/Winnebago Counties Regional Office of Education No. 4.

Category 3 includes deposits which are uncollateralized or the collateral is held by the financial institution trust department but not in the name of Boone/Winnebago Counties Regional Office of Education No. 4.

The ROE's deposits are covered by the Federal Deposit Insurance Corporation (FDIC) and by collateral held by the financial institution in the ROE's name. Although deposit balances classified under the traditional risk categories 1 and 2 have been determined under GASB Statement No. 40 to be exposed to only minimal risk, and, based on this conclusion, the

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

GASB chose to limit disclosure of custodial credit risk to deposits that meet the definition of "Category 3", the ROE has decided to include categories 1 and 2 in the discussion. The following table reflects the ROE's level of risk as of June 30, 2005:

	Bank Balance
Category 1	\$ 100,000
Category 2	4,176,946
Category 3	-
Exempt	706,021
Total	\$ 4,982,967

The exempt funds are those deposited into the Illinois Funds.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The ROE's policy for reducing its exposure to the risk is to structure the ROE's portfolio so that securities mature to meet the ROE's cash requirements for ongoing operations. The ROE's investments as of June 30, 2005 are limited to the investment in the State investment pool (Illinois Funds).

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ROE's policy for managing its exposure to the risk is to limit investments to those allowable by the Illinois Public Funds Investment Act. As of June 30, 2005, the ROE's investment in the State investment pool (Illinois Funds) was rated AAAM by Standard & Poor's.

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2005 is as follows:

	Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005
Equipment	\$ 140,467	\$ 34,870	\$ -	\$ 175,337
Less: accumulated depreciation	73,720	43,388	-	117,108
Capital assets, net	\$ 66,747	(\$ 8,518)	\$ -	\$ 58,229

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Depreciation expense charged to governmental function - instructional services totaled \$43,388 for the year.

NOTE 5 - DUE FROM (TO) OTHER FUNDS

The following is a summary of amounts due from (to) other funds as of June 30, 2005:

Fund	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 1,634	\$ 4,162
Education Fund - Regional Learning Center	1,089	-
Education Fund - Web Wise Kids	-	30,000
Institute Fund	434	4,000
Special Revenue Funds - General Education Development	38	-
Special Revenue Funds - Bus Driver Training	2,012	-
Proprietary Funds - Local Workshop	31,737	-
Agency Funds	1,218	-
Total	<u>\$ 38,162</u>	<u>\$ 38,162</u>

NOTE 6 - INTEREST ON DISTRIBUTIVE FUND

Interest earned on distributive fund receipts is recorded in the General Fund by the consent of all affected school boards and other entities. The funds are utilized by the Superintendent to purchase computer equipment, develop in-service activities and other innovative programs, as well as, assist with the necessary operating expenses of the Boone/Winnebago Counties Regional Office of Education No. 4's office.

NOTE 7 - EMPLOYEE BENEFIT PLAN

The employees are covered under the Illinois Municipal Retirement Fund. Contributions to the Fund are made by Boone/Winnebago Counties and the Boone/Winnebago Counties Regional Office of Education No. 4 through grant monies on behalf of the Boone/Winnebago Counties Regional Office of Education staff employees and grant coordinators.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Boone/Winnebago Counties is a participating member of the Illinois Municipal Retirement Fund (IMRF) whose coverage includes all Boone/Winnebago Counties Regional Office of Education No. 4 employees who:

- a. Occupy a job normally requiring 1,000 hours or more per year or 600 hours or more per year for employees who worked for any IMRF employer prior to January 1, 1982;
- b. Are paid on a regular payroll from County or ROE funds;
- c. Were under age sixty when first entering employment; and
- d. Are not covered by another State created retirement system for the same service.

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

The Superintendent and Assistant Superintendent of Boone/Winnebago Counties Regional Office of Education are paid by the State of Illinois. Certain staff employees of the ROE's office are employed and paid by Boone/Winnebago Counties (other support staff and grant coordinators are paid by the Regional Office of Education through grant monies). Boone/Winnebago Counties Regional Office of Education has no separate employee benefit plan.

Illinois Municipal Retirement Fund

The Boone/Winnebago Counties Regional Office of Education No. 4's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a financial report that includes financial statements and required supplementary information. The report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by state statute. The Boone/Winnebago Counties Regional Office of Education No. 4 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2004 was 0.85 percent 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 5 years.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

For December 31, 2004, the Boone/Winnebago Counties Regional Office of Education No. 4's annual pension cost of \$260 was equal to the Boone/Winnebago Counties Regional Office of Education No. 4'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% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2004 actuarial valuation were based on the 1999-2001 experience study.

TREND INFORMATION

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/04	\$ 260	100%	\$ --
12/31/03	517	100%	--
12/31/02	457	100%	--
12/31/01	1,559	100%	--
12/31/00	425	100%	--
12/31/99	413	100%	--
12/31/98	456	100%	--
12/31/97	366	100%	--
12/31/96	679	100%	--
12/31/95	1,658	100%	--

NOTE 8 - RETIREMENT PLANS

Teachers' Retirement System of the State of Illinois

The Regional Office of Education 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 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.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 2005 was 9 percent of creditable earnings. These contributions, which may be paid on behalf of employees by employer, are submitted to TRS by the employer. In addition, virtually all employers and members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The 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 No. 4's TRS-covered employees.

- **On-behalf Contributions.** The State of Illinois makes employer pension contributions on behalf of Regional Office of Education No. 4. For the year ended June 30, 2005, the State of Illinois contributions were based on 11.76 percent of creditable earnings, and Regional Office of Education No. 4, recognized revenue and expenditures of \$208,717 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 (\$151,701) and 13.01% (\$152,961), respectively.

The Boone/Winnebago Counties Regional Office of Education No. 4 makes three other types of employer contributions directly to TRS.

- **2.2 Formula Contributions.** For the years ended June 30, 2005, and June 30, 2004, employers were required to contribute 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 \$10,294 and \$9,156, 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 a new employer THIS Fund contribution for retiree health insurance (0.4 percent of pay). The remaining 0.18 percent was submitted to TRS. Contributions for the year ended June 30, 2003 were \$9,857.
- **Federal and Trust Fund Contributions.** When TRS members are paid from federal and trust funds administered by Regional Office of Education No. 4, there is a statutory requirement for Regional Office of Education No. 4 to pay an employer pension contributions 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 year ended June 30, 2005, salaries totaling \$265,774 were paid from federal and trust funds that required employer contributions of \$27,906. For the years ended June 30, 2004 and June 30, 2003, required Boone/Winnebago Counties Regional Office of Education No. 4 contributions were \$11,185 and \$16,125, respectively.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

- **Early Retirement Option.** Boone/Winnebago Counties Regional Office of Education No. 4 is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member. 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 year ending June 30, 2005, the Boone/Winnebago Regional Office of Education No. 4 paid \$0 for employer contributions under the Early Retirement Option. For the years ended June 30, 2004 and June 30, 2003, the district paid \$36,954 and \$0, respectively.

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 rate 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 the normal allotment and that sick leave is counted as service credit, the employer will make a lump-sum contribution to TRS. The act

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

exempts sick leave granted under contracts and collective bargaining agreements in effect on June 1, 2005.

- **Early Retirement Option.** In addition to the changes described above, the following changes were made to ERO:
 - Both active member and employer ERO contribution 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.
 - The waiver of member and employer ERO contributions when the member has 34 years of service ended with the program that expired June 30, 2005.
 - A "Pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007.
 - Public Act 94-0004 provides for a review of the member and employer ERO contributions every five years to ensure that the program is revenue neutral.

TRS financial information, an explanation of TRS' benefits, and descriptions of member, employer and state funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2004. The report for the year ended June 30, 2005, is expected to be available in late 2005. The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, IL 62794-9253. The most current report is also available on the TRS web site at www.trs.illinois.gov.

NOTE 9 - RELATED PARTY TRANSACTIONS

Fixed assets used solely by the Regional Office are purchased by the Boone/Winnebago Counties. Ownership of some fixed assets remains with the County of Winnebago and, accordingly, the cost of these assets is not included in any fund or in the Capital Assets in the financial statements. Other expenditures of the Regional Office are paid by the Boone/Winnebago Counties.

NOTE 10 - ON-BEHALF PAYMENTS

The salaries of the Regional Superintendent and the Assistant Superintendent are paid by the State of Illinois. The Regional Office personnel are paid by the Boone/Winnebago Counties, Illinois, in accordance with statutes. Employees of programs funded by federal and state grants are paid through the Payroll Fund or by the County of Winnebago and then reimbursed by the grants. The breakdown of the State on-behalf payments for the year ended June 30, 2005 is as follows:

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Regional Superintendent Salary	\$ 88,540
Regional Superintendent Fringe Benefits (includes State paid insurance)	16,099
Assistant Regional Superintendent Salary	79,686
Assistant Regional Superintendent Fringe Benefits (includes State paid insurance)	17,182
TRS Contributions	<u>208,717</u>
Total	<u>\$ 410,224</u>

NOTE 11 - DUE FROM (TO) OTHER GOVERNMENTS

The Boone/Winnebago Counties Regional Office of Education No. 4's General Fund, Special Revenue Fund and various grant programs have funds due to and due from various governmental units which consists of the following:

Due from Other Governments:

Illinois State Board of Education	<u>\$ 36,229</u>
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Due to Other Governments:

Illinois State Board of Education	\$ 700
Local School Districts	<u>864,392</u>
Total	<u>\$ 865,092</u>

NOTE 12 - DEFICIT FUND BALANCE

The Federal Special Education - IDEA Flow-Through Fund has a deficit fund balance of \$5,576 as of June 30, 2005. The deficit fund balance is expected to be corrected through payments from the State and interest income in the next fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS)**

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2005**

**ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	\$ 77,068	\$ 60,939	(\$16,129)	126.47%	\$ 30,611	0.00%
12/31/03	72,912	52,121	(20,791)	139.89%	33,784	0.00%
12/31/02	68,459	44,591	(23,868)	153.53%	51,297	0.00%
12/31/01	72,247	53,133	(19,114)	135.97%	52,141	0.00%
12/31/00	66,674	43,990	(22,684)	151.57%	50,006	0.00%
12/31/99	57,416	33,691	(23,725)	170.42%	47,562	0.00%
12/31/98	47,466	22,822	(24,644)	207.98%	42,221	0.00%
12/31/97	39,994	15,130	(24,864)	264.34%	39,644	0.00%
12/31/96	35,654	9,013	(26,641)	395.58%	35,526	0.00%
12/31/95	30,534	3,905	(26,629)	781.92%	34,399	0.00%

On a market value basis, the actuarial value of assets as of December 31, 2004 is \$77,189.
On a market basis, the fund ratio would be 126.67%.

***Digest of Changes**

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

- Fewer members are expected to take refunds early in their career.
- For Regular members, fewer normal and early retirements are expected to occur.

SUPPLEMENTARY INFORMATION

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
GENERAL FUND
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2005**

SCHEDULE 1

	<u>General</u>	<u>ROE/ISC Operations</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 283,567	\$ 49,703	\$ 333,270
Due from other funds	1,634	-	1,634
TOTAL ASSETS	<u>285,201</u>	<u>49,703</u>	<u>334,904</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	-	5,221	5,221
Due to other funds	4,162	-	4,162
Total liabilities	<u>4,162</u>	<u>5,221</u>	<u>9,383</u>
FUND BALANCES			
Unrestricted	<u>281,039</u>	<u>44,482</u>	<u>325,521</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 285,201</u>	<u>\$ 49,703</u>	<u>\$ 334,904</u>

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
GENERAL FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005**

SCHEDULE 2

	<u>General</u>	<u>ROE/ISC Operations</u>	<u>Total</u>
REVENUES			
State sources	\$ -	\$ 308,110	\$ 308,110
Local sources			
Services	135,756	-	135,756
Interest	84	5,277	5,361
On-behalf payments	410,224	-	410,224
	<u>546,064</u>	<u>313,387</u>	<u>859,451</u>
Total revenues			
EXPENDITURES			
Salaries	36,120	152,320	188,440
Benefits	-	51,779	51,779
Purchased services	27,707	76,959	104,666
Supplies and materials	21,395	5,622	27,017
Capital expenditures	-	19,484	19,484
Miscellaneous	21,636	1,946	23,582
On-behalf payments	410,224	-	410,224
	<u>517,082</u>	<u>308,110</u>	<u>825,192</u>
Total expenditures			
EXCESS OF REVENUES OVER EXPENDITURES	28,982	5,277	34,259
FUND BALANCES, UNRESERVED, BEGINNING OF YEAR	<u>252,057</u>	<u>39,205</u>	<u>291,262</u>
FUND BALANCES, UNRESERVED, END OF YEAR	<u>\$ 281,039</u>	<u>\$ 44,482</u>	<u>\$ 325,521</u>

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 GENERAL FUND ACCOUNTS
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2005**

SCHEDULE 3

	<u>ROE/ISC Operations</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
State sources	\$ 308,110	\$ 308,110	\$ -
Interest	-	5,277	5,277
Total revenues	<u>308,110</u>	<u>313,387</u>	<u>5,277</u>
EXPENDITURES			
Salaries	152,320	152,320	-
Benefits	51,779	51,779	-
Purchased services	76,959	76,959	-
Supplies and materials	5,622	5,622	-
Capital expenditures	19,484	19,484	-
Miscellaneous	1,946	1,946	-
Total expenditures	<u>308,110</u>	<u>308,110</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	5,277	<u>\$ 5,277</u>
FUND BALANCE, July 1, 2004		<u>39,205</u>	
FUND BALANCE, June 30, 2005		<u>\$ 44,482</u>	

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2005

	Federal Special Education- IDEA Flow- Through	Regional Alternative School	Regional Learning Center - WIA	Regional Learning Academy	Truants Alternative Program	KIDS	Web Wise Kids	Total
Cash and cash equivalents (overdrafts)	\$ (5,576)	\$ 133,334	\$ (426)	\$ 1,339,815	\$ 670,622	\$ 573,164	\$ 22,030	\$ 2,732,963
Due from other funds	-	-	1,089	-	-	-	-	1,089
Due from other governmental agencies	-	-	-	2,299	-	25,960	7,970	36,229
TOTAL ASSETS	(5,576)	133,334	663	1,342,114	670,622	599,124	30,000	2,770,281

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	-	-	-	-	(344)	434,305	-	433,961
Due to other funds	-	-	-	-	-	-	30,000	30,000
Due to other governmental agencies	-	-	-	700	-	-	-	700
Deferred revenues	-	-	-	-	29,431	95,411	-	124,842
Total liabilities	-	-	-	700	29,087	529,716	30,000	589,503

FUND BALANCES

Fund balances (deficit), unreserved	(5,576)	133,334	663	1,341,414	641,535	69,408	-	2,180,778
TOTAL LIABILITIES AND FUND BALANCES	(5,576)	133,334	663	1,342,114	670,622	599,124	30,000	2,770,281

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2005

	Federal Special Education- IDEA Flow - Through	Regional Alternative School	Regional Learning Center - WIA	Regional Learning Academy	Truants Alternative Program	KIDS	Web Wise Kids	Total
REVENUES								
Federal sources	\$ 110,000	\$ -	\$ 48,874	\$ 218,769	\$ -	\$ 2,260,301	\$ 7,970	\$ 2,645,914
State sources	-	539,537	-	421,822	833,366	426,431	-	2,221,156
Local sources								
Services	3,260	-	-	231,675	2,845	940	-	238,720
Interest	-	1,421	-	22,126	10,194	14,470	-	48,211
Total revenues	113,260	540,958	48,874	894,392	846,405	2,702,142	7,970	5,154,001
EXPENDITURES								
Salaries	68,766	329,905	32,345	330,917	598,533	416,869	-	1,777,335
Benefits	18,954	52,687	4,585	55,358	141,445	94,309	-	367,338
Purchased services	28,426	72,397	9,997	352,914	87,799	1,155,822	7,970	1,715,325
Supplies and materials	2,155	58,182	1,284	3,217	5,589	194,415	-	264,842
Capital expenditures	3,317	1,597	-	-	-	316,839	-	321,753
Payments to other governments	-	-	-	-	-	552,520	-	552,520
Total expenditures	121,618	514,768	48,211	742,406	833,366	2,730,774	7,970	4,999,113
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,358)	26,190	663	151,986	13,039	(28,632)	-	154,888
FUND BALANCES, UNRESERVED, BEGINNING OF YEAR	2,782	107,144	-	1,189,428	628,496	98,040	-	2,025,890
FUND BALANCES (DEFICIT), UNRESERVED, END OF YEAR	\$ (5,576)	\$ 133,334	\$ 663	\$ 1,341,414	\$ 641,535	\$ 69,408	\$ -	\$ 2,180,778

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 EDUCATION FUND ACCOUNTS
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Truants Alternative Program</u>		
	<u>Budget</u>	<u>* Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
State sources	\$ 429,832	\$ 833,366	\$ 403,534
Local sources			
Services	-	2,845	2,845
Interest	-	10,194	10,194
Total revenues	<u>429,832</u>	<u>846,405</u>	<u>416,573</u>
EXPENDITURES			
Salaries	276,867	598,533	(321,666)
Benefits	70,511	141,445	(70,934)
Purchased services	77,743	87,799	(10,056)
Supplies and materials	4,711	5,589	(878)
Total expenditures	<u>429,832</u>	<u>833,366</u>	<u>(403,534)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	13,039	<u>\$ 13,039</u>
FUND BALANCE, July 1, 2004		<u>628,496</u>	
FUND BALANCE, June 30, 2005		<u>\$ 641,535</u>	

* includes \$432,965 General State Aid Grant for which there is no budgeted expenditures.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 REGIONAL LEARNING ACADEMY
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2005

SCHEDULE 7

	<u>Regional Safe Schools</u>	<u>General State Aid and Lunch</u>	<u>Title IV - Community Service</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 1,339,115	\$ 700	\$ 1,339,815
Due from other governmental agencies	-	2,299	-	2,299
TOTAL ASSETS	<u>-</u>	<u>1,341,414</u>	<u>700</u>	<u>1,342,114</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other governmental agencies	-	-	700	700
FUND BALANCES				
Fund balances, unreserved as originally stated	74,621	1,266,793	-	1,341,414
Prior period adjustment (Note 1-O)	(74,621)	74,621	-	-
Fund balances, unreserved, as restated	<u>-</u>	<u>1,341,414</u>	<u>-</u>	<u>1,341,414</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 1,341,414</u>	<u>\$ 700</u>	<u>\$ 1,342,114</u>

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 REGIONAL LEARNING ACADEMY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2005**

SCHEDULE 8

	<u>Regional Safe Schools</u>	<u>General State Aid and Lunch</u>	<u>Title IV - Community Service</u>	<u>Total</u>
REVENUES				
Federal sources	\$ 175,825	\$ 42,944	\$ -	\$ 218,769
State sources	269,795	152,027	-	421,822
Local sources				
Interest income	-	22,126	-	22,126
Services	-	231,675	-	231,675
Total revenues	<u>445,620</u>	<u>448,772</u>	<u>-</u>	<u>894,392</u>
EXPENDITURES				
Salaries	330,917	-	-	330,917
Benefits	55,358	-	-	55,358
Purchased services	56,261	296,653	-	352,914
Supplies and materials	3,084	133	-	3,217
Total expenditures	<u>445,620</u>	<u>296,786</u>	<u>-</u>	<u>742,406</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>151,986</u>	<u>-</u>	<u>151,986</u>
FUND BALANCES, UNRESERVED,				
BEGINNING OF YEAR AS ORIGINALLY STATED	74,621	1,114,807	-	1,189,428
Prior period adjustment (Note 1-O)	(74,621)	74,621	-	-
FUND BALANCES, UNRESERVED,				
BEGINNING OF YEAR AS RESTATED	<u>-</u>	<u>1,189,428</u>	<u>-</u>	<u>1,189,428</u>
FUND BALANCES, UNRESERVED,				
END OF YEAR	<u>\$ -</u>	<u>\$ 1,341,414</u>	<u>\$ -</u>	<u>\$ 1,341,414</u>

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 REGIONAL LEARNING ACADEMY
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2005**

SCHEDULE 9

	<u>Regional Safe Schools</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Federal sources	\$ 175,825	\$ 175,825	\$ -
State sources	247,544	269,795	22,251
Total revenues	<u>423,369</u>	<u>445,620</u>	<u>22,251</u>
EXPENDITURES			
Salaries	320,369	330,917	(10,548)
Benefits	50,000	55,358	(5,358)
Purchased services	50,000	56,261	(6,261)
Supplies and materials	3,000	3,084	(84)
Total expenditures	<u>423,369</u>	<u>445,620</u>	<u>(22,251)</u>
EXCESS OF REVENUES OVER EXPENDITURES		<u>-</u>	
FUND BALANCE, July 1, 2004 as originally stated		74,621	
Prior period adjustment (Note 1-O)		<u>(74,621)</u>	
FUND BALANCE, July 1, 2004 as restated		<u>-</u>	
FUND BALANCE, June 30, 2005		<u>\$ -</u>	

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 KIDS FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2005

SCHEDULE 10

	Technology - Enhancing Education - Competitive	Education Technology Resource	Title I - Reading First Part B SEA Funds	Standards Aligned Classroom Initiative	Other State Programs
ASSETS					
Cash and cash equivalents	\$ 62,388	\$ 1,512	\$ 122,690	\$ 13,269	\$ 56,698
Due from other governmental agencies	-	-	-	-	-
TOTAL ASSETS	<u>62,388</u>	<u>1,512</u>	<u>122,690</u>	<u>13,269</u>	<u>56,698</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	-	-	42,438	13,269	55,758
Deferred revenues	-	-	80,152	-	-
Total liabilities	-	-	<u>122,590</u>	<u>13,269</u>	<u>55,758</u>
FUND BALANCES					
Fund balances, unreserved	62,388	1,512	100	-	940
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 62,388</u>	<u>\$ 1,512</u>	<u>\$ 122,690</u>	<u>\$ 13,269</u>	<u>\$ 56,698</u>

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 KIDS FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2005

SCHEDULE 10
 (CONTINUED)

	Title II - Teacher Quality Leadership Grant	Title I - School Improvement & Accountability	Learning Technology Center	T-1 Line/DeKalb	Title V - Innovative Programs	Total
ASSETS						
Cash and cash equivalents	\$ 52,968	\$ 242,112	\$ 1,373	\$ 269	\$ 19,885	\$ 573,164
Due from other governmental agencies	25,960	-	-	-	-	25,960
TOTAL ASSETS	78,928	242,112	1,373	269	19,885	599,124
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	78,460	224,867	-	-	19,513	434,305
Deferred revenues	-	15,259	-	-	-	95,411
Total liabilities	78,460	240,126	-	-	19,513	529,716
FUND BALANCES						
Fund balances, unreserved	468	1,986	1,373	269	372	69,408
TOTAL LIABILITIES AND FUND BALANCES	\$ 78,928	\$ 242,112	\$ 1,373	\$ 269	\$ 19,885	\$ 599,124

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 KIDS FUND

SCHEDULE 11

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2005

	Technology - Enhancing Education - Competitive	Education Technology Resource	Title I - Reading First Part B SEA Funds	Standards Aligned Classroom Initiative	Other State Programs
REVENUES					
Federal sources	402,012	-	\$ 486,859	\$ 255,290	\$ -
State sources	-	-	-	-	296,848
Local sources	-	-	-	-	-
Interest income	-	-	6,952	-	-
Services	-	-	-	-	940
Total revenues	402,012	-	493,811	255,290	297,788
EXPENDITURES					
Salaries	-	-	127,809	8,083	55,766
Benefits	-	-	39,038	-	8,420
Purchased services	57,186	-	290,712	84,155	231,689
Supplies and materials	90,298	-	36,252	269	973
Capital expenditures	285,799	-	-	-	-
Payments to other governments	-	-	-	162,783	-
Total expenditures	433,283	-	493,811	255,290	296,848
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(31,271)	-	-	-	940
FUND BALANCES, UNRESERVED, BEGINNING OF YEAR	93,659	1,512	100	-	-
FUND BALANCES, UNRESERVED, END OF YEAR	\$ 62,388	\$ 1,512	\$ 100	\$ -	\$ 940

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
KIDS FUND

SCHEDULE 11
(CONTINUED)

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	Title II - Teacher Quality Leadership Grant	Title I - School Improvement & Accountability	Learning Technology Center	T-1 Line/DeKalb	Title V - Innovative Programs	Total
REVENUES						
Federal sources	\$ 146,272	\$ 919,868	\$ -	\$ -	\$ 50,000	\$ 2,260,301
State sources	-	-	129,583	-	-	426,431
Local sources	468	5,305	1,373	-	372	14,470
Interest income	-	-	-	-	-	940
Services	-	-	-	-	-	-
Total revenues	146,740	925,173	130,956	-	50,372	2,702,142
EXPENDITURES						
Salaries	-	127,904	97,307	-	-	416,869
Benefits	-	29,629	17,222	-	-	94,309
Purchased services	133,519	327,266	16,934	-	14,361	1,155,822
Supplies and materials	12,753	48,651	620	-	4,599	194,415
Capital expenditures	-	-	-	-	31,040	316,839
Payments to other governments	-	389,737	-	-	-	552,520
Total expenditures	146,272	923,187	132,083	-	50,000	2,730,774
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	468	1,986	(1,127)	-	372	(28,632)
FUND BALANCES, UNRESERVED, BEGINNING OF YEAR	-	-	2,500	269	-	98,040
FUND BALANCES, UNRESERVED, END OF YEAR	\$ 468	\$ 1,986	\$ 1,373	\$ 269	\$ 372	\$ 69,408

BOONE/WINEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 KIDS FUND
 BUDGETARY COMPARISON SCHEDULES
 YEAR ENDED JUNE 30, 2005

	Title I - Reading First Part B SEA Funds			Other State Programs			Title II - Teacher Quality Leadership Grant		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
Federal sources	\$ 444,968	\$ 486,859	\$ 41,891	\$ -	\$ -	\$ -	\$ 156,247	\$ 146,272	\$ (9,975)
State sources	-	-	-	250,000	296,848	46,848	-	-	-
Local sources	-	-	-	-	-	-	-	-	-
Interest income	-	6,952	6,952	-	-	-	-	468	468
Services	-	-	-	-	940	940	-	-	-
Total revenues	444,968	493,811	48,843	250,000	297,788	47,788	156,247	146,740	(9,507)
EXPENDITURES									
Salaries	122,566	127,809	(5,243)	30,000	55,766	(25,766)	-	-	-
Benefits	37,229	39,038	(1,809)	7,000	8,420	(1,420)	-	-	-
Purchased services	232,235	290,712	(58,477)	213,000	231,689	(18,689)	141,000	133,519	7,481
Supplies and materials	52,938	36,252	16,686	-	973	(973)	15,247	12,753	2,494
Miscellaneous	-	-	-	-	-	-	-	-	-
Capital expenditures	-	-	-	-	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-	-	-	-
Total expenditures	444,968	493,811	(48,843)	250,000	296,848	(46,848)	156,247	146,272	9,975
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ 940	\$ 940	\$ -	\$ 468	\$ 468
FUND BALANCE, July 1, 2004		100							
FUND BALANCE, June 30, 2005		\$ 100			\$ 940			\$ 468	

	Title I - School Improvement & Accountability			Learning Technology Center			Title V - Innovative Programs		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
Federal sources	\$ 1,099,320	\$ 919,868	\$ (179,452)	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ -
State sources	-	-	-	129,583	129,583	-	-	-	-
Local sources	-	-	-	-	-	-	-	-	-
Interest income	-	5,305	5,305	-	1,373	1,373	-	372	372
Services	-	-	-	-	-	-	-	-	-
Total revenues	<u>1,099,320</u>	<u>925,173</u>	<u>(174,147)</u>	<u>129,583</u>	<u>130,956</u>	<u>1,373</u>	<u>50,000</u>	<u>50,372</u>	<u>372</u>
EXPENDITURES									
Salaries	127,000	127,904	(904)	95,790	97,307	(1,517)	-	-	-
Benefits	30,000	29,629	371	18,693	17,222	1,471	-	-	-
Purchased services	440,883	327,266	113,617	13,100	16,934	(3,834)	14,500	14,361	139
Supplies and materials	111,700	48,651	63,049	2,000	620	1,380	5,000	4,599	401
Miscellaneous	-	-	-	-	-	-	30,500	-	30,500
Capital expenditures	-	-	-	-	-	-	-	31,040	(31,040)
Payments to other governments	389,737	389,737	-	-	-	-	-	-	-
Total expenditures	<u>1,099,320</u>	<u>923,187</u>	<u>176,133</u>	<u>129,583</u>	<u>132,083</u>	<u>(2,500)</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	1,986	\$ 1,986	\$ -	(1,127)	\$ (1,127)	\$ -	372	\$ 372
FUND BALANCE, July 1, 2004	-	-	-	-	2,500	-	-	-	-
FUND BALANCE, June 30, 2005	\$ 1,986	\$ 1,986	\$ -	\$ 1,373	\$ 1,373	\$ -	\$ -	\$ 372	\$ 372

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 KIDS FUND
 BUDGETARY COMPARISON SCHEDULES
 YEAR ENDED JUNE 30, 2005

SCHEDULE 12
 (CONTINUED)

	Total		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Federal sources	\$ 1,750,535	\$ 1,602,999	\$ (147,536)
State sources	379,583	426,431	46,848
Local sources			
Interest income	-	14,470	14,470
Services	-	940	940
Total revenues	<u>2,130,118</u>	<u>2,044,840</u>	<u>(85,278)</u>
EXPENDITURES			
Salaries	375,356	408,786	(33,430)
Benefits	92,922	94,309	(1,387)
Purchased services	1,054,718	1,014,481	40,237
Supplies and materials	186,885	103,848	83,037
Miscellaneous	30,500	-	30,500
Capital expenditures	-	31,040	(31,040)
Payments to other governments	389,737	389,737	-
Total expenditures	<u>2,130,118</u>	<u>2,042,201</u>	<u>87,917</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>2,639</u>	<u>\$ 2,639</u>
FUND BALANCE, July 1, 2004		<u>2,600</u>	
FUND BALANCE, June 30, 2005	<u>\$ -</u>	<u>5,239</u>	<u>\$ 5,239</u>

SCHEDULE 13

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 NON-MAJOR SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2005

	General Education Development	Bus Driver Training	Supervisory	Educational Service Center #1	Total
Cash and cash equivalents	\$ 63,630	\$ 8,424	\$ 1,465	\$ 122,521	\$ 196,040
Due from other funds	38	2,012	-	-	2,050
TOTAL ASSETS	63,668	10,436	1,465	122,521	198,090

LIABILITIES AND FUND BALANCES

LIABILITIES					
Accounts payable	1,446	-	-	-	1,446
Deferred revenues	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	1,446	-	-	-	1,446
FUND BALANCES					
Fund balances (deficit), unreserved	62,222	10,436	1,465	122,521	196,644
TOTAL LIABILITIES AND FUND BALANCES	\$ 63,668	\$ 10,436	\$ 1,465	\$ 122,521	\$ 198,090

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	General Education Development	Bus Driver Training	Supervisory	Educational Service Center #1	Total
REVENUES					
State sources	\$ -	\$ 1,200	\$ 2,000	\$ -	\$ 3,200
Local sources					
Interest income	760	9	-	2,265	3,034
Services	58,271	8,009	45	-	66,325
Total revenues	59,031	9,218	2,045	2,265	72,559
EXPENDITURES					
Salaries	23,938	-	-	-	23,938
Purchased services	9,082	3,166	1,009	-	13,257
Supplies and materials	14,397	4,831	730	-	19,958
Total expenditures	47,417	7,997	1,739	-	57,153
EXCESS OF REVENUES OVER EXPENDITURES	11,614	1,221	306	2,265	15,406
FUND BALANCES (DEFICIT), UNRESERVED, BEGINNING OF YEAR	50,608	9,215	1,159	120,256	181,238
FUND BALANCES (DEFICIT), UNRESERVED, END OF YEAR	\$ 62,222	\$ 10,436	\$ 1,465	\$ 122,521	\$ 196,644

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 AGENCY FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2005

SCHEDULE 15

	Distributive	Audio Visual Co-op	Career Educational Associates of North Central Illinois	Regional Board of School Trustees	Payroll	Total
Cash and cash equivalents	\$ 70	\$ 3,152	\$ 838,961	\$ -	\$ 20,991	\$ 863,174
Due from other funds	-	-	1,218	-	-	1,218
Total assets	70	3,152	840,179	-	20,991	864,392
LIABILITIES						
Due to other governmental agencies	\$ 70	\$ 3,152	\$ 840,179	\$ -	\$ 20,991	\$ 864,392

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005**

SCHEDULE 16

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2005</u>
DISTRIBUTIVE				
ASSETS				
Cash and cash equivalents	\$ 66	\$ 4	\$ -	\$ 70
LIABILITIES				
Due to other governmental agencies	\$ 66	\$ 4	\$ -	\$ 70
AUDIO VISUAL CO-OP				
ASSETS				
Cash and cash equivalents	\$ 2,215	\$ 937	\$ -	\$ 3,152
LIABILITIES				
Due to other governmental agencies	\$ 2,215	\$ 937	\$ -	\$ 3,152
CAREER EDUCATIONAL ASSOCIATES OF NORTH CENTRAL ILLINOIS				
ASSETS				
Cash and cash equivalents	\$ 918,223	\$ 2,044,229	\$ 2,123,491	\$ 838,961
Due from other funds	1,218	-	-	1,218
Total assets	<u>919,441</u>	<u>2,044,229</u>	<u>2,123,491</u>	<u>840,179</u>
LIABILITIES				
Due to other governmental agencies	<u>\$ 919,441</u>	<u>\$ 2,044,229</u>	<u>\$ 2,123,491</u>	<u>\$ 840,179</u>

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005**

**SCHEDULE 16
 (CONTINUED)**

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2005</u>
REGIONAL BOARD OF SCHOOL TRUSTEES				
ASSETS				
Cash and cash equivalents	\$ 27	\$ -	\$ 27	\$ -
LIABILITIES				
Due to other governmental agencies	\$ 27	\$ -	\$ 27	\$ -
PAYROLL				
ASSETS				
Cash and cash equivalents	\$ 13,734	\$ 2,510,208	\$ 2,502,951	\$ 20,991
LIABILITIES				
Due to other governmental agencies	\$ 13,734	\$ 2,510,208	\$ 2,502,951	\$ 20,991
TOTAL				
ASSETS				
Cash and cash equivalents	\$ 934,265	\$ 4,555,378	\$ 4,626,469	\$ 863,174
Due from other funds	1,218	-	-	1,218
Total assets	<u>935,483</u>	<u>4,555,378</u>	<u>4,626,469</u>	<u>864,392</u>
LIABILITIES				
Due to other governmental agencies	<u>\$ 935,483</u>	<u>\$ 4,555,378</u>	<u>\$ 4,626,469</u>	<u>\$ 864,392</u>

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 17

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through / Contract Number	FY 2005 Expenditures
DEPARTMENT OF EDUCATION			
State Grants for Innovative Programs			
Passed-Through Illinois State Board of Education <i>Title V - Innovative Programs - SEA Projects</i>	84.298A	2005-4105-SS	\$ 50,000
Title I Grants to Local Educational Agencies			
Passed-Through Illinois State Board of Education <i>Title I - School Improvement & Accountability</i>	(M) 84.010A	2004-4331-SS	83,550
<i>Title I - School Improvement & Accountability</i>	(M) 84.010A	2005-4331-SS	836,318
			<u>919,868</u>
Reading First State Grants			
Passed-Through Illinois State Board of Education <i>Title I - Reading First Part B SEA Funds</i>	(M) 84.357A	2004-4337-00	18,300
<i>Title I - Reading First Part B SEA Funds</i>	(M) 84.357A	2004-4337-01	78,291
<i>Title I - Reading First Part B SEA Funds</i>	(M) 84.357A	2004-4337-02	31,127
<i>Title I - Reading First Part B SEA Funds</i>	(M) 84.357A	2005-4337-00	53,015
<i>Title I - Reading First Part B SEA Funds</i>	(M) 84.357A	2005-4337-01	150,000
<i>Title I - Reading First Part B SEA Funds</i>	(M) 84.357A	2005-4337-02	112,528
<i>Title I - Reading First Part B SEA Funds</i>	(M) 84.357A	2005-4337-04	43,598
			<u>486,859</u>
Improving Teacher Quality State Grants			
Passed-Through Illinois State Board of Education <i>Title II - Teacher Quality - Leadership Grant</i>	84.367A	2004-4935-SS	77,550
<i>Title II - Teacher Quality - Leadership Grant</i>	84.367A	2005-4935-SS	68,722
			<u>146,272</u>
Special Education Grants to States			
Passed-Through Northern Suburban Special Education District <i>Federal Special Education IDEA Flow - Through</i>	84.027A	2005-4630-00	110,000
Education Technology State Grants			
Passed-Through Rock Island County Regional Office of Education No. 49 <i>Technology - Enhancing Education - Competitive</i>	(M) 84.318X	2005-4972-00	402,012
Other Federal Grants			
Passed-Through Clark, Coles, Cumberland, Douglas, Edgar, Moultrie and Shelby Counties Regional Office of Education No. 11 <i>Standards Aligned Classroom</i>	84.289A	2005-4999-00	255,290
Fund for the Improvement of Education			
Passed-Through the 16th Congressional District of Northern Illinois <i>Web Wise Kids</i>	84.215	U215K050095	7,970
TOTAL DEPARTMENT OF EDUCATION			\$ 2,378,271
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Temporary Assistance for Needy Families			
Passed-Through Illinois State Board of Education <i>Regional Safe Schools (TANF)</i>	93.558	2005-3696-00	\$ 175,825
<i>Regional Safe Schools - General State Aid - Sec. 18-8 (TANF)</i>	93.558	2005-3001-93	30,289
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 206,114

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2005**

**SCHEDULE 17
 (CONTINUED)**

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through / Contract Number	FY 2005 Expenditures
<u>DEPARTMENT OF AGRICULTURE</u>			
National School Lunch Program Passed-Through Illinois State Board of Education <i>National School Lunch Program</i>	10.555	2005-4210-00	<u>\$ 12,655</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 12,655</u>
<u>DEPARTMENT OF LABOR</u>			
Workforce Investment Act (WIA) Youth Activities Passed-Through Rock River Training Corporation <i>Workforce Investment Act (WIA)</i>	17.259	2003-215	<u>\$ 48,211</u>
TOTAL DEPARTMENT OF LABOR			<u>\$ 48,211</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,645,251</u>

(M) Program was audited as major program.

The accompanying notes are an integral part of this schedule.

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO 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 Boone/Winnebago Counties Regional Office of Education No. 4 and is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2. Subrecipients

The Boone/Winnebago Counties Regional Office of Education No. 4 provided federal awards totaling \$502,783 to the following:

Subrecipients	Standards Aligned Classroom (CFDA #84.289A)	Title I - School Improvement & Accountability (CFDA #84.010A)	Title II - Teacher Quality - Leadership Grant (CFDA #84.367A)	Total
Carroll, Jo Daviess and Stephenson Counties Regional Office of Education No. 8	\$ 26,234	\$ 35,000	\$ 15,000	\$ 76,234
LaSalle County Regional Office of Education No. 35	21,149	70,000	5,000	96,149
Lee/Ogle Counties Regional Office of Education No. 47	24,120	35,000	10,000	69,120
Rock Island County Regional Office of Education No. 49	70,780	165,000	--	235,780
Whiteside County Regional Office of Education No. 55	20,500	--	5,000	25,500
Total	\$ 162,783	\$ 305,000	\$ 35,000	\$ 502,783

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Note 3. Description of Major Federal Program

Title I - Reading First Part B SEA Funds provide assistance to school districts in establishing reading programs for students in kindergarten through third grade that are based on scientifically based reading research. Reading First also focuses on teacher development and ensuring that all teachers, including special education teachers, have the tools they need to effectively help their students learn to read.

Technology - Enhancing Education - Competitive program provides computer software and hardware to school districts.

Title I - School Improvement & Accountability provides support and guidance to school districts through this complex school improvement process so that teaching and learning are improved every year. The Illinois State Board of Education Quality Assurance Process consists of an external visit to audit each school every few years and an internal review that each school must conduct annually.

Note 4. Non-Cash Assistance

Not Applicable.

Note 5. Amount of Insurance

Not Applicable.

Note 6. Loans or Loan Guarantees Outstanding

Not Applicable.