

**State of Illinois
SUBURBAN COOK COUNTY
REGIONAL OFFICE OF EDUCATION NO. 14
FINANCIAL AUDIT
For the Year Ended June 30, 2004**

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

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14

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SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14

OFFICIALS

Audit Period

Regional Superintendent
(current and during the audit period)

Honorable Robert Ingraffia

Assistant Regional Superintendent
(current and 11 months during the audit period)

Ms. Margot Fennelly

Assistant Regional Superintendent
(current and 10 months during the audit period)

Mr. Thomas O'Malley

Assistant Regional Superintendent
(current and 6 months during the audit period)

Mr. Joseph Scolire

Assistant Regional Superintendent
(3 months during the audit period)

Mr. Anthony Przeklasa

Office is located at:

10110 Gladstone Street
Westchester, Illinois 60154-2618

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14

FINANCIAL REPORT SUMMARY

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

AUDITOR'S REPORTS

The auditor's reports 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	0	5
Repeated audit findings	0	4
Prior recommendations implemented or not repeated	5	2

SUMMARY OF FINDINGS AND QUESTIONED COSTS

Item No. Page Description

FINDINGS (GOVERNMENT AUDITING STANDARDS)

None

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

03-1	9	Reconciliation of Pooled Cash Account
03-2	9	Lack of Budget for Certification Receipts
03-3	9	Inadequate Chart of Accounts
03-4	9	No Employee Performance Evaluation
03-5	9	Incomplete Fixed Asset Sub-Ledger

EXIT CONFERENCE

There was no exit conference held because there were no findings or recommendations to discuss.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of Suburban Cook County Regional Office of Education No. 14 was performed by Clifton Gunderson LLP.

Based on their audit, the auditors expressed an unqualified opinion on Suburban Cook County Regional Office of Education No. 14's basic financial statements.

INDEPENDENT AUDITOR'S 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, each major fund, and the aggregate remaining fund information of the Suburban Cook County Regional Office of Education No. 14, as of and for the year ended June 30, 2004, which collectively comprise the Suburban Cook County Regional Office of Education No. 14's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Suburban Cook County Regional Office of Education No. 14's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Suburban Cook County Regional Office of Education No. 14, as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 8 to the financial statements, Suburban Cook County Regional Office of Education No. 14 has implemented a new financial reporting model as required by the provisions of GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and GASB Statement 38, *Certain Financial Statement Note Disclosures*, as of June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2004, on our consideration of the Suburban Cook County Regional Office of Education No. 14'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 on pages 10 through 19 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Suburban Cook County Regional Office of Education No. 14's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Gundersen LLP

DeWitt, Iowa
September 30, 2004

**INDEPENDENT AUDITOR'S 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, each major fund, and the aggregate remaining fund information of the Suburban Cook County Regional Office of Education No. 14 as of and for the year ended June 30, 2004, which collectively comprise the Suburban Cook County Regional Office of Education No. 14's basic financial statements and have issued our report thereon dated September 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Suburban Cook County Regional Office of Education No. 14's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting 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 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 the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Suburban Cook County Regional Office of Education No. 14'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*.

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.

Clifton Henderson LLP

DeWitt, Iowa
September 30, 2004

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

Section I: Summary of 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 weaknesses? _____ yes x none reported
- Noncompliance material to
 financial statements noted? _____ yes x no

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2004

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
03-1	Reconciliation of Pooled Cash Account	Resolved
03-2	Lack of Budget for Certification Receipts	Resolved
03-3	Inadequate Chart of Accounts	Resolved
03-4	No Employee Performance Evaluation	Resolved
03-5	Incomplete Fixed Asset Sub-Ledger	Resolved

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

Suburban Cook County Regional Office of Education No. 14 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with Suburban Cook County Regional Office of Education No. 14's financial statements, which follow.

Because Suburban Cook County Regional Office of Education No. 14 is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining Suburban Cook County Regional Office of Education No. 14's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$131,858 in fiscal 2003 to \$982,079 in fiscal 2004, and General Fund expenditures increased from \$137,921 in fiscal 2003 to \$913,715 in fiscal 2004. Suburban Cook County Regional Office of Education No. 14's General Fund balance increased from \$67,052 in fiscal 2003 to \$135,416 in fiscal 2004, a 102% increase.
- The increase in General Fund revenues was partially attributable to on-behalf payments being allocated only to General Fund in the current year instead of being spread among all the funds as in the past. This accounted for \$275,707 of the increase. The remaining \$574,514 increase was primarily attributable to a State grant that provided partial relief for funding decreases that was sent to the Regional Office of Education. Within that grant were monies for the three ISC's to offset reductions in funds they also incurred. This money was sent directly to the ISC's after being received by the Regional Office of Education.
- The Institute Fund revenues increased from \$628,500 in 2003 to \$763,440 in 2004. This increase is primarily due to the realization of a significant amount of deferred revenue that was earned during fiscal year 2004. Expenditures increased from \$536,934 in 2003 to \$667,201 in 2004. In fiscal year 2003, two grants accounted for within the Education Fund provided certification with additional monies to fund certification positions. When those grants were eliminated in fiscal year 2004, the payroll expenses were charged directly to the Institute Fund.

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of Suburban Cook County Regional Office of Education No. 14'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 Suburban Cook County Regional Office of Education No. 14 as a whole and present an overall view of Suburban Cook County Regional Office of Education No. 14's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Suburban Cook County Regional Office of Education No. 14's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Supplemental Information provides detailed information about the General Fund, and the nonmajor special revenue funds.

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

Summarized below are the major features of Suburban Cook County Regional Office of Education No. 14's financial statements, including the portion of Suburban Cook County Regional Office of Education No. 14's activities they cover and the types of information they contain.

	Government-wide Statements	Governmental Funds
Scope	Entire Suburban Cook County Regional Office of Education No. 14	The activities of Suburban Cook County Regional Office of Education, such as the General and Institute Funds
Required financial statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due during the year or soon thereafter

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

**REPORTING SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION
NO. 14'S FINANCIAL ACTIVITIES**

Government-wide Financial Statements

The government-wide financial statements report information about Suburban Cook County Regional Office of Education No. 14 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of Suburban Cook County Regional Office of Education No. 14's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report Suburban Cook County Regional Office of Education No. 14's net assets and how they have changed. Net assets - the difference between Suburban Cook County Regional Office of Education No. 14's assets and liabilities - are one way to measure Suburban Cook County Regional Office of Education No. 14's financial health or financial position. Over time, increases or decreases in Suburban Cook County Regional Office of Education No. 14's net assets are an indicator of whether financial position is improving or deteriorating. To assess Suburban Cook County Regional Office of Education No. 14's overall health, additional non-financial factors, such as changes in Suburban Cook County Regional Office of Education No. 14's community and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, Suburban Cook County Regional Office of Education No. 14's activities are in one category:

- *Governmental activities:* All of Suburban Cook County Regional Office of Education No. 14's basic services are included here, such as grants and teacher certifications. State grants and local programs finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about Suburban Cook County Regional Office of Education No. 14's funds, focusing on its most significant or "major" funds - not Suburban Cook County Regional Office of Education No. 14 as a whole. Funds are accounting devices Suburban Cook County Regional Office of Education No. 14 uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law. Suburban Cook County Regional Office of Education No. 14 establishes other funds to control and manage money for particular purposes, such as accounting for special revenue funds, or to show that it is properly using certain revenues, such as federal grants.

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

Suburban Cook County Regional Office of Education No. 14 has one kind of fund:

- *Governmental funds:* All of Suburban Cook County Regional Office of Education No. 14's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance Suburban Cook County Regional Office of Education No. 14's programs.

Suburban Cook County Regional Office of Education No. 14's governmental funds include General Fund, Institute Fund, Directory Fund, Bus Driver Fund, Supervisory Fund, and Education Fund.

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

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

Suburban Cook County Regional Office of Education No. 14 adopted GASB Statement No. 34 during 2004. Therefore, a comparative analysis of Government-wide data will not be represented until fiscal year 2005 when comparative balances are available.

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of Suburban Cook County Regional Office of Education No. 14, assets exceeded liabilities by \$830,321 as of June 30, 2004.

A portion of Suburban Cook County Regional Office of Education No. 14's net assets (2.32%) reflects its investment in capital assets (e.g., furniture and equipment), less any related debt used to acquire those assets that is still outstanding. Suburban Cook County Regional Office of Education No. 14 did not use any debt to finance the purchase of capital assets. The Government-wide statements also include \$15,275 in liabilities consisting of accounts payable.

Suburban Cook County Regional Office of Education No. 14's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

The following table presents a summary of Suburban Cook County Regional Office of Education No. 14's net assets for the fiscal year ended June 30, 2004.

	<u>Governmental Activities</u>
Current assets	\$ 826,360
Capital assets, net of accumulated depreciation	<u>19,236</u>
Total assets	<u>845,596</u>
 Current liabilities	 <u>15,275</u>
 Net assets	
Invested in capital assets, net of related debt	19,236
Unrestricted	<u>811,085</u>
Total net assets	<u>\$ 830,321</u>

The largest portion of Suburban Cook County Regional Office of Education No. 14's net assets is cash that is to be used to finance operations.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements were \$811,085 at year end.

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

Changes in net assets. Suburban Cook County Regional Office of Education No. 14's total revenue for the fiscal year ended June 30, 2004 was \$1,729,880. The total cost of all programs and services was \$1,825,009. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2004.

	<u>Governmental Activities</u>
Revenues	
Program revenues	
Charges for services	\$ 237,502
Operating grants and contributions	749,995
General revenues	
Local sources	363,977
State sources	79,911
On-behalf payments	<u>298,495</u>
Total revenues	<u>1,729,880</u>
Expenses	
Education	
Salaries	451,106
Benefits	5,022
Purchased services	348,050
Supplies and materials	17,642
Payments to other governments	458,093
State teachers' certification board	237,502
Depreciation expense	9,099
Administrative	
On-behalf payments	<u>298,495</u>
Total expenses	<u>1,825,009</u>
Change in net assets	<u>\$ (95,129)</u>

Operating grants and contributions account for 43% of the total revenue. Suburban Cook County Regional Office of Education No. 14's expenses primarily relate to education which accounts for 84% of the total expenses.

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

Governmental Activities

Revenues for governmental activities were \$1,729,880 and expenses were \$1,825,009.

The following table presents the cost of Suburban Cook County Regional Office of Education No. 14's functional governmental activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and Suburban Cook County Regional Office of Education No. 14's community by each of these functions.

	<u>Total Expenses</u>	<u>Net (Expenses) Revenues</u>
Education		
Salaries	\$ 451,106	\$ (372,281)
Benefits	5,022	(136)
Purchased services	348,050	(155,712)
Supplies and materials	17,642	(4,688)
Payments to other governments	458,093	-
State teachers' certification board	237,502	-
Depreciation expense	9,099	(6,200)
Administrative		
On-behalf payments	<u>298,495</u>	<u>(298,495)</u>
Total expenses	<u>\$ 1,825,009</u>	<u>\$ (837,512)</u>

The cost of all governmental activities this year was \$1,825,009.

Charges for services and operating grants and contributions subsidized certain governmental activities with grants and contributions and other local revenues of \$987,497.

Net cost of governmental activities (\$837,512), was financed by local and state sources that are not directly associated with the functions and objects above.

INDIVIDUAL FUND ANALYSIS

As previously noted, Suburban Cook County Regional Office of Education No. 14 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of Suburban Cook County Regional Office of Education No. 14 as a whole is reflected in its governmental funds, as well. As Suburban Cook County Regional Office of Education No. 14 completed the year, its governmental funds reported a combined fund balance of \$307,937, above last year's ending fund balance of \$140,144.

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2004

GOVERNMENTAL FUND HIGHLIGHTS

- Suburban Cook County Regional Office of Education No. 14's increasing General Fund financial position is the result of the State providing additional funding which allows the Regional Office of Education to continue functioning.
- The Institute Fund balance increased from \$(20,320) to \$75,919, due to the Regional Office of Education realizing a large amount of deferred revenue in fiscal year 2004.

BUDGETARY HIGHLIGHTS

Suburban Cook County Regional Office of Education No. 14 prepares budgets for three grants including ROE Operations, General and Truants Alternative Program. They did not amend any of the budgets during the fiscal year.

Suburban Cook County Regional Office of Education No. 14 prepares a five year revenue budget for the Institute Fund. This budget is not presented, as it is not based on expenses and would not be a good indicator of financial position. It is used by management to prepare for expected receipts for teacher certifications and renewals.

CAPITAL ASSETS

As of June 30, 2004, Suburban Cook County Regional Office of Education No. 14 had invested \$49,315 in capital assets, including furniture and equipment. This amount represents a net increase prior to depreciation of \$2,899 from last year. Total depreciation expense for the year was \$9,099.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2004.

	<u>Governmental Activities</u>
Furniture and equipment	<u>\$ 19,236</u>

Additional information on Suburban Cook County Regional Office of Education No. 14's capital assets can be found in Note 3 on page 33 of this report.

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

ECONOMIC FACTORS BEARING ON SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14'S FUTURE

At the time these financial statements were prepared and audited, Suburban Cook County Regional Office of Education No. 14 was aware of several existing circumstances that could significantly affect its financial health in the future:

The Regional Office of Education will receive an increase in supplemental State Aid for general operations.

There is potential for an increase in the transportation fees charged for initial and refresher classes for bus driver training.

The Regional Office of Education is pursuing additional grant funding in areas it has not pursued in the past.

Certification income will be reduced due to Chicago opening an office to collect teacher registration funds. In the past, teachers from Chicago were required to register at the Regional Office of Education.

CONTACTING SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14'S FINANCIAL MANAGEMENT

This financial report is designed to provide Suburban Cook County Regional Office of Education No. 14's citizens, taxpayers, customers, and creditors with a general overview of Suburban Cook County Regional Office of Education No. 14's finances and to demonstrate Suburban Cook County Regional Office of Education No. 14's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Suburban Cook County Regional Office of Education No. 14, 10110 Gladstone Street, Westchester, Illinois 60154-2618.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
STATEMENT OF NET ASSETS
June 30, 2004

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash	\$ 585,308
Investments	202,765
Prepaid expenses	35,302
Due from other governments	2,985
Capital assets, being depreciated, net	<u>19,236</u>
Total assets	<u>845,596</u>
LIABILITIES	
Accounts payable	<u>15,275</u>
NET ASSETS	
Investment in capital assets, net of related debt	19,236
Unrestricted	<u>811,085</u>
Total net assets	<u><u>\$ 830,321</u></u>

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

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
STATEMENT OF ACTIVITIES
 Year Ended June 30, 2004

EXHIBIT B

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets Primary Governmental Activities</u>
FUNCTIONS/PROGRAMS					
Primary government:					
Governmental activities:					
Education:					
Salaries	\$ 451,106	-	\$ 78,825	\$ (372,281)	
Benefits	5,022	-	4,886	(136)	
Purchased services	348,050	-	192,338	(155,712)	
Supplies and materials	17,642	-	12,954	(4,688)	
Payments to other governments	458,093	-	458,093	-	
State teachers' certification board	237,502	237,502	-	-	
Depreciation expense	9,099	-	2,899	(6,200)	
Administrative:					
On-behalf payments	298,495	-	-	(298,495)	
Total primary government	<u>\$ 1,825,009</u>	<u>\$ 237,502</u>	<u>\$ 749,995</u>	<u>(837,512)</u>	
General revenues:					
Local sources					363,977
State sources					79,911
On-behalf payments					298,495
Total general revenues					<u>742,383</u>
CHANGES IN NET ASSETS					<u>(95,129)</u>
NET ASSETS, BEGINNING OF YEAR, AS RESTATED					<u>925,450</u>
NET ASSETS, END OF YEAR					<u>\$ 830,321</u>

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

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

EXHIBIT C

	General Fund	Institute Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash	\$ 104,727	\$ 383,267	\$ 97,314	\$ 585,308
Investments	-	194,412	8,353	202,765
Prepaid expenses	32,608	2,137	557	35,302
Due from other governments:	-	-	2,985	2,985
TOTAL ASSETS	\$ 137,335	\$ 579,816	\$ 109,209	\$ 826,360
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,919	\$ 749	\$ 12,607	\$ 15,275
Deferred revenue	-	503,148	-	503,148
Total liabilities	1,919	503,897	12,607	518,423
FUND BALANCES				
Unreserved, reported in:				
General fund	135,416	-	-	135,416
Special revenue funds	-	75,919	96,602	172,521
Total fund balances	135,416	75,919	96,602	307,937
TOTAL LIABILITIES AND FUND BALANCES	\$ 137,335	\$ 579,816	\$ 109,209	\$ 826,360

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

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2004**

Total fund balances - governmental funds (page 22)	\$ 307,937
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>	<p>19,236</p>
<p>Certain receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.</p>	<p><u>503,148</u></p>
Net assets of governmental activities (page 20)	<p><u><u>\$ 830,321</u></u></p>

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

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	<u>General Fund</u>	<u>Institute Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Local sources	\$ -	\$ 763,440	\$ 94,761	\$ 858,201
State sources	683,584	-	146,322	829,906
On-behalf payments	298,495	-	-	298,495
Total revenues	<u>982,079</u>	<u>763,440</u>	<u>241,083</u>	<u>1,986,602</u>
EXPENDITURES:				
Current:				
Education:				
Salaries	68,512	326,947	55,647	451,106
Benefits	3,386	136	1,500	5,022
Purchased services	84,074	99,310	164,666	348,050
Supplies and materials	1,155	3,306	13,181	17,642
Capital outlay	-	-	2,899	2,899
Payments to other governments	458,093	-	-	458,093
State teachers' certification board	-	237,502	-	237,502
On-behalf payments	298,495	-	-	298,495
Total expenditures	<u>913,715</u>	<u>667,201</u>	<u>237,893</u>	<u>1,818,809</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>68,364</u>	<u>96,239</u>	<u>3,190</u>	<u>167,793</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	531	531
Transfers out	-	-	(531)	(531)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>68,364</u>	<u>96,239</u>	<u>3,190</u>	<u>167,793</u>
FUND BALANCE, BEGINNING OF YEAR	<u>67,052</u>	<u>(20,320)</u>	<u>93,412</u>	<u>140,144</u>
FUND BALANCE, END OF YEAR	<u>\$ 135,416</u>	<u>\$ 75,919</u>	<u>\$ 96,602</u>	<u>\$ 307,937</u>

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

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004**

Net change in fund balances (page 24) \$ 167,793

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

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

Capital outlays	\$ 2,899	
Depreciation expense	(9,099)	(6,200)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(256,722)
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Change in net assets of governmental activities (page 21) \$ (95,129)

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

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2004

The Suburban Cook County Regional Office of Education No. 14 was created to develop and maintain educational services for the school districts in Cook County, Illinois. The Suburban Cook County Regional Office of Education No. 14 services 697 public schools and 143 districts within the county (exclusive of District 299).

The functions of the Suburban Cook County Regional Office of Education No. 14 include, but are not limited to the following:

- Processing teachers' certificates
- Teaching initial and refresher classes for school bus drivers within Suburban Cook County Regional Office of Education No. 14
- Review life/safety requirements for schools in conjunction with the State of Illinois
- Issuing newsletters regarding new Illinois life/safety requirements
- Monitoring compliance with State laws and Department of Education policies and procedures

Suburban Cook County Regional Office of Education No. 14 has no distributive fund since the State of Illinois maintains responsibility for the function of distributing state and federal aid to individual school districts.

The State of Illinois also maintains responsibility for the GED program, therefore, there is no GED fund.

The financial statements of the Suburban Cook County Regional Office of Education No. 14 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The following is a summary of the significant accounting policies:

REPORTING ENTITY

For financial reporting purposes, Suburban Cook County Regional Office of Education No. 14 has included all funds, organizations, agencies, boards, commissions and authorities. Suburban Cook County Regional Office of Education No. 14 has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with Suburban Cook County Regional Office of Education No. 14 are such that exclusion would cause Suburban Cook County Regional Office of Education No. 14's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of Suburban Cook County Regional Office of Education No. 14 to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on Suburban Cook County Regional Office of Education No. 14. Suburban Cook County Regional Office of Education No. 14 has no component units which meet the Governmental Accounting Standards Board criteria.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2004

BASIS OF PRESENTATION

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the activities of Suburban Cook County Regional Office of Education No. 14. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by intergovernmental and local revenues.

The Statement of Net Assets presents Suburban Cook County Regional Office of Education No. 14's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for any debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

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

Suburban Cook County Regional Office of Education No. 14 reports the following major governmental funds:

The General Fund is the operating fund of the Suburban Cook County Regional Office of Education No. 14. The General Fund accounts for all financial resources except those required to be accounted for in another fund.

The Institute Fund accounts for registration and renewal fees related to teachers' certificates. Funds collected from registration and renewal fees are expended to defray the costs incidental to teachers' institutes, conferences, and workshops.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2004

BASIS OF PRESENTATION (CONTINUED)

Suburban Cook County Regional Office of Education No. 14 reports the following nonmajor governmental funds:

Directory - Accounts for sales proceeds and costs of producing directories of all school buildings within the Suburban Cook County Regional Office of Education No. 14's jurisdiction.

Bus Driver - Accounts for school bus drivers' permit fees which may be expended for school bus drivers' refresher courses.

Supervisory - Accounts for State funding used to pay expenses for supervision of school districts within the Suburban Cook County Regional Office of Education No. 14's jurisdiction.

Education - Accounts for grant funds which are restricted as to their use except for those accounted for in the Supervisory Fund. Restricted grant funds include:

Title II - Eisenhower - Leadership Grant - to account for grant monies received for, and payment of, expenditures incurred in providing workshops.

Special Appropriation Grant - to account for grant monies received to supplement general operations of the office.

Technology Grant - to account for grant monies received for, and payment of, expenditures relating to new technology equipment.

School Safety Resource Center - Serious Safety Grant - to account for monies received for, and payment of, expenditures incurred to enhance safety measures in schools.

Substance Abuse and Violence Prevention Grant - to account for monies received for, and payment of, expenditures incurred in facilitating the Substance Abuse and Violence Prevention program.

Truant Alternative Grant - to account for grant monies received for, and payment of, expenditures incurred for after school programs to avoid truant behavior in children.

Cook County Learning Technology Center - to account for monies received for, and payment of, expenditures incurred to support technology applications throughout the Districts served.

Lehman Scholarships - to account for monies received for, and payment of, expenditures incurred in providing scholarships.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2004

BASIS OF PRESENTATION (CONTINUED)

Reorganization Incentive - to account for grant monies received for, and payment of, expenditures incurred for a reorganization feasibility study for Hazel Crest School District 152.5.

Building Survey - to account for monies received for, and payment of, expenditures to conduct a pilot of ISBE web based school facility inventory.

Project Director - to account for monies received for, and payment of, expenditures to supplement salaries and benefits of two employees through general operations.

Other - to account for monies received for, and payment of, expenditures for other education operations.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by Suburban Cook County Regional Office of Education No. 14.

Suburban Cook County Regional Office of Education No. 14 records on-behalf payments made by the State to the Teachers' Retirement System as revenue and expenditures.

Suburban Cook County Regional Office of Education No. 14 recognizes teacher certificate registration fees for school years ending after June 30, 2004 as deferred revenue.

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

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2004

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Under the terms of grant agreements, Suburban Cook County Regional Office of Education No. 14 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is Suburban Cook County Regional Office of Education No. 14's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

Suburban Cook County Regional Office of Education No. 14 maintains its financial records on the cash basis. The financial statements of Suburban Cook County Regional Office of Education No. 14 are prepared by making memorandum adjusting entries to the cash basis financial records.

ASSETS, LIABILITIES AND FUND EQUITY

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

Cash and investments - The cash and investment balances of Suburban Cook County Regional Office of Education No. 14 are valued at cost.

Due from other governments - Due from other governments represents amounts due from the Illinois State Board of Education.

Capital assets - Capital assets, which include property, furniture and equipment, are reported in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by Suburban Cook County Regional Office of Education No. 14 as assets with an initial, individual cost in excess of \$500 and estimated useful lives in excess of two years. Capital assets are depreciated using the straight line method over 5-10 years.

Deferred revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of teacher certificate registration fees for school years ending after June 30, 2004.

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

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2004

ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

BUDGETS AND BUDGETARY ACCOUNTING

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

Suburban Cook County Regional Office of Education No. 14 did not formally adopt a budget for the year ended June 30, 2004 and is not legally required to do so. The Illinois State Board of Education requires budgets for certain State programs. These budgets were used to prepare statements of revenues, expenditures and changes in fund balance - budget and actual for the following programs: General and Truant Alternative Grant.

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

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 - CASH AND INVESTMENTS

The deposit and investment of monies is governed by the provisions of the Illinois Compiled Statutes.

A. Deposits

At June 30, 2004, the carrying amount of the deposits was \$585,308 (net of overdrafts) and the bank balance was \$683,405. The deposits are categorized in accordance with risk factors created by governmental reporting standards.

	Carrying Amount	Bank Balance
Category 1	\$ 585,308	\$ 683,405
Category 2	-	-
Category 3	-	-
Total	\$ 585,308	\$ 683,405

Category 1 includes deposits covered by depository insurance or collateral held by Suburban Cook County Regional Office of Education No. 14 in its name.

Category 2 includes deposits covered by collateral held by the financial institutions in a pledged safekeeping account in Suburban Cook County Regional Office of Education No. 14's name.

Category 3 includes deposits which are uncollateralized or the collateral is held by the financial institution's trust department but not in Suburban Cook County Regional Office of Education No. 14's name.

B. Investments

The Suburban Cook County Regional Office of Education No. 14 is authorized by State of Illinois law to invest in repurchase agreements. Repurchase agreements are agreements in which a governmental entity (buyer-lender) transfers cash to a broker-dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for the same securities.

The Suburban Cook County Regional Office of Education No. 14 has entered into a Master Repurchase Agreement with its bank effective on June 11, 2001. Per the terms of the agreement, each repurchase agreement shall be collateralized at one hundred and five percent (105%) of face value and each repurchase agreement shall be collateralized with United States Government or United States Government Agency securities.

Investments in repurchase agreements as of June 30, 2004 were \$202,765. Collateral securities are held by the Suburban Cook County Regional Office of Education No. 14's bank.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2 - DUE FROM OTHER GOVERNMENT UNITS AND AGENCIES

Grants due from the Illinois State Board of Education as of June 30, 2004 were as follows:

Other nonmajor funds	
Bus Driver	\$ <u>2,985</u>

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance June 30, 2003, as Restated (Note 8)	Additions	Deletions	Balance June 30, 2004
Governmental activities:				
Furniture and equipment	\$ 46,416	\$ 2,899	\$ -	\$ 49,315
Less accumulated depreciation	<u>20,980</u>	<u>9,099</u>	<u>-</u>	<u>30,079</u>
Total capital assets, net	\$ <u>25,436</u>	\$ <u>(6,200)</u>	\$ <u>-</u>	\$ <u>19,236</u>

Depreciation expense was charged as follows:

Governmental activities:	
Education:	
Depreciation expense	\$ <u>9,099</u>

NOTE 4 - TRANSFERS

The detail of interfund transfers for the year ended June 30, 2004, is as follows:

	Transfers In	Transfers Out
Other Nonmajor Funds		
Education Fund		
Technology Grant	\$ 7	\$ -
School Safety Resource Center-Serious Safety Grant	-	531
Project Director	117	-
Other	<u>407</u>	<u>-</u>
Total	\$ <u>531</u>	\$ <u>531</u>

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 5 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure as part of the combined financial statements of certain information concerning individual funds as follows:

The following funds had deficit fund balances at June 30, 2004. The deficits will be covered by normal operations or fund transfers.

Other Nonmajor Funds	
Supervisory	\$ 1,938
Education Fund	
Title II-Eisenhower-Leadership Grant	444
Building Survey	94

NOTE 6 - ON-BEHALF PAYMENTS

Salaries of the regional superintendent and his two assistants are paid by the State of Illinois. The State of Illinois and the respective employees also pay pension plan contributions associated with these salaries. The Suburban Cook County Regional Office of Education No. 14 pays all other salaries.

On-behalf payments are as follows:

Regional Superintendent - salary	\$ 90,712
Regional Superintendent - benefits	9,003
Assistant Regional Superintendents - salaries	179,982
Assistant Regional Superintendents - benefits	<u>18,798</u>
Total on-behalf payments	<u>\$ 298,495</u>

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

NOTE 7 - RISK MANAGEMENT

Suburban Cook County Regional Office of Education No. 14 is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. Suburban Cook County Regional Office of Education No. 14 assumes liability for any deductibles and claims in excess of coverage limitations. There has been no significant reduction in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the year.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 8 - ACCOUNTING CHANGE

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*; were implemented during the year ended June 30, 2004. The statements create new basic financial statements for reporting Suburban Cook County Regional Office of Education No. 14's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements consist of governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

	<u>Fund</u>			
	<u>General</u>	<u>Institute</u>	<u>Nonmajor</u>	<u>Total</u>
Net assets,				
June 30, 2003, as				
previously reported	\$ 67,052	\$ (20,320)	\$ 93,412	\$ 140,144
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation				25,436
Deferred revenue				<u>759,870</u>
Net assets, July 1, 2003, as restated				<u>\$ 925,450</u>

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

OTHER SUPPLEMENTAL INFORMATION

STATEMENT 1

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND**

June 30, 2004

	ROE Operations	Other General	Total
ASSETS			
Cash	\$ 35,696	\$ 69,031	\$ 104,727
Prepaid expenses	32,608	-	32,608
TOTAL ASSETS	\$ 68,304	\$ 69,031	\$ 137,335
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,919	\$ -	\$ 1,919
FUND BALANCES			
Unreserved	66,385	69,031	135,416
TOTAL LIABILITIES AND FUND BALANCES	\$ 68,304	\$ 69,031	\$ 137,335

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GENERAL FUND
Year Ended June 30, 2004

	<u>ROE</u> <u>Operations</u>	<u>Other</u> <u>General</u>	<u>Total</u>
REVENUES:			
State sources	\$ 54,925	\$ 628,659	\$ 683,584
On-behalf payments	298,495	-	298,495
	<u>353,420</u>	<u>628,659</u>	<u>982,079</u>
EXPENDITURES:			
Current:			
Education:			
Salaries	26,140	42,372	68,512
Benefits	3,386	-	3,386
Purchased services	25,360	58,714	84,074
Supplies and materials	706	449	1,155
Payments to other governments	-	458,093	458,093
On-behalf payments	298,495	-	298,495
	<u>354,087</u>	<u>559,628</u>	<u>913,715</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(667)	69,031	68,364
FUND BALANCE, BEGINNING OF YEAR	<u>67,052</u>	<u>-</u>	<u>67,052</u>
FUND BALANCE, END OF YEAR	<u>\$ 66,385</u>	<u>\$ 69,031</u>	<u>\$ 135,416</u>

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2004

STATEMENT 3

	Budgeted Amounts	Actual	Variance with
	Original	Final	Final Budget
		Amounts	Favorable
			(Unfavorable)
REVENUES:			
State sources	\$ 663,926	\$ 683,584	\$ 19,658
On-behalf payments	-	298,495	298,495
Total revenues	663,926	982,079	318,153
EXPENDITURES:			
Current:			
Education:			
Salaries	64,900	68,512	(3,612)
Benefits	7,200	3,386	3,814
Purchased services	77,825	84,074	(6,249)
Supplies and materials	2,000	1,155	845
Capital outlay	3,000	-	3,000
Payments to other governments	509,001	458,093	50,908
On-behalf payments	-	298,495	(298,495)
Total expenditures	663,926	913,715	(249,789)
EXCESS OF REVENUES			
OVER EXPENDITURES	-	68,364	68,364
FUND BALANCE, BEGINNING OF YEAR	67,052	67,052	-
FUND BALANCE, END OF YEAR	\$ 67,052	\$ 135,416	\$ 68,364

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2004

	<u>Directory</u>	<u>Bus Driver</u>	<u>Supervisory</u>	<u>Education Fund</u>	<u>Total</u>
ASSETS					
Cash (overdraft)	\$ 21,082	\$ 29,090	\$ (1,938)	\$ 49,080	\$ 97,314
Investments	-	-	-	8,353	8,353
Prepaid expenses	122	111	-	324	557
Due from other governments	-	2,985	-	-	2,985
TOTAL ASSETS	<u>\$ 21,204</u>	<u>\$ 32,186</u>	<u>\$ (1,938)</u>	<u>\$ 57,757</u>	<u>\$ 109,209</u>
LIABILITIES AND FUND BALANCES (DEFICIT)					
LIABILITIES					
Accounts payable	\$ -	\$ 309	\$ -	\$ 12,298	\$ 12,607
FUND BALANCES (DEFICIT)					
Unreserved	<u>21,204</u>	<u>31,877</u>	<u>(1,938)</u>	<u>45,459</u>	<u>96,602</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 21,204</u>	<u>\$ 32,186</u>	<u>\$ (1,938)</u>	<u>\$ 57,757</u>	<u>\$ 109,209</u>

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended June 30, 2004

STATEMENT 5

	Directory	Bus Driver	Supervisory	Education Fund	Total
REVENUES:					
Local sources	\$ 31,367	\$ 50,072	\$ 333	\$ 12,989	\$ 94,761
State sources	-	12,665	1,000	132,657	146,322
Total revenues	31,367	62,737	1,333	145,646	241,083
EXPENDITURES:					
Current:					
Education:					
Salaries	17,113	28,221	-	10,313	55,647
Benefits	-	-	-	1,500	1,500
Purchased services	10,900	38,396	869	114,501	164,666
Supplies and materials	430	699	54	11,998	13,181
Capital outlay	-	-	-	2,899	2,899
Total expenditures	28,443	67,316	923	141,211	237,893
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,924	(4,579)	410	4,435	3,190
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	531	531
Transfers out	-	-	-	(531)	(531)
Total other financing sources (uses)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	2,924	(4,579)	410	4,435	3,190
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	18,280	36,456	(2,348)	41,024	93,412
FUND BALANCE (DEFICIT), END OF YEAR	\$ 21,204	\$ 31,877	\$ (1,938)	\$ 45,459	\$ 96,602

SCHEDULE 1

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
 Year Ended June 30, 2004

	Title II - Eisenhower - Leadership Grant	Special Appropriation Grant	Technology Grant	School Safety Resource Center - Serious Safety Grant	Substance Abuse and Violence Protection Grant
ASSETS					
Cash (overdraft)	\$ (444)	\$ 5,437	\$ -	\$ -	\$ 19,670
Investments	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
TOTAL ASSETS	<u>\$ (444)</u>	<u>\$ 5,437</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,670</u>
LIABILITIES AND FUND BALANCES (DEFICIT)					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCE (DEFICIT)	<u>(444)</u>	<u>5,437</u>	<u>-</u>	<u>-</u>	<u>19,670</u>
Fund balance (deficit), unreserved and undesignated					
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ (444)</u>	<u>\$ 5,437</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,670</u>

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
Year Ended June 30, 2004

	Truant Alternative Grant	Cook County Learning Technology Center	Lehman Scholarships	Reorganization Incentive
ASSETS				
Cash (overdraft)	\$ 12,016	\$ 5,572	\$ 4,323	\$ -
Investments	-	-	8,353	-
Prepaid expenses	324	-	-	-
TOTAL ASSETS	<u>\$ 12,340</u>	<u>\$ 5,572</u>	<u>\$ 12,676</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Accounts payable	\$ 12,298	\$ -	\$ -	\$ -
FUND BALANCE (DEFICIT)				
Fund balance (deficit), unreserved and undesignated	<u>42</u>	<u>5,572</u>	<u>12,676</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ 12,340</u>	<u>\$ 5,572</u>	<u>\$ 12,676</u>	<u>\$ -</u>

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
Year Ended June 30, 2004

	Building Survey	Project Director	Other	Total
ASSETS				
Cash (overdraft)	\$ (94)	\$ -	\$ 2,600	\$ 49,080
Investments	-	-	-	8,353
Prepaid expenses	-	-	-	324
TOTAL ASSETS	<u>\$ (94)</u>	<u>\$ -</u>	<u>\$ 2,600</u>	<u>\$ 57,757</u>
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 12,298
FUND BALANCE (DEFICIT)	<u>(94)</u>	<u>-</u>	<u>2,600</u>	<u>45,459</u>
Fund balance (deficit), unreserved and undesignated				
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ (94)</u>	<u>\$ -</u>	<u>\$ 2,600</u>	<u>\$ 57,757</u>

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2004

	Title II - Eisenhower - Leadership Grant	Special Appropriation Grant	Technology Grant
REVENUES:			
Local sources	\$ -	\$ -	\$ -
State sources	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:			
Current:			
Education:			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	-	369	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>369</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(369)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	7
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>7</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	(369)	7
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>(444)</u>	<u>5,806</u>	<u>(7)</u>
FUND BALANCE (DEFICIT), RESERVED, END OF YEAR	<u>\$ (444)</u>	<u>\$ 5,437</u>	<u>\$ -</u>

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2004**

	School Safety Resource Center - Serious Safety Grant	Substance Abuse and Violence Protection Grant	Truant Alternative Grant
	<u>Grant</u>	<u>Grant</u>	<u>Grant</u>
REVENUES:			
Local sources	\$ -	\$ -	\$ 2,399
State sources	-	-	122,382
Total revenues	<u>-</u>	<u>-</u>	<u>124,781</u>
EXPENDITURES:			
Current:			
Education:			
Salaries	-	-	10,313
Employee benefits	-	-	1,500
Purchased services	-	-	97,989
Supplies and materials	-	-	11,799
Capital outlay	-	-	2,899
Total expenditures	<u>-</u>	<u>-</u>	<u>124,500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>281</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(531)	-	-
Total other financing sources (uses)	<u>(531)</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(531)	-	281
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>531</u>	<u>19,670</u>	<u>(239)</u>
FUND BALANCE (DEFICIT), RESERVED, END OF YEAR	<u>\$ -</u>	<u>\$ 19,670</u>	<u>\$ 42</u>

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2004**

	Cook County Learning Technology Center	Lehman Scholarships	Reorganization Incentive
REVENUES:			
Local sources	\$ 10,500	\$ 90	\$ -
State sources	-	-	10,275
Total revenues	10,500	90	10,275
EXPENDITURES:			
Current:			
Education:			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	4,826	1,000	10,275
Supplies and materials	102	-	-
Capital outlay	-	-	-
Total expenditures	4,928	1,000	10,275
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,572	(910)	-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	5,572	(910)	-
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	-	13,586	-
FUND BALANCE (DEFICIT), RESERVED, END OF YEAR	\$ 5,572	\$ 12,676	\$ -

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2004**

	Building Survey	Project Director
REVENUES:		
Local sources	\$ -	\$ -
State sources	-	-
Total revenues	-	-
EXPENDITURES:		
Current:		
Education:		
Salaries	-	-
Employee benefits	-	-
Purchased services	42	-
Supplies and materials	-	-
Capital outlay	-	-
Total expenditures	42	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(42)	-
OTHER FINANCING SOURCES (USES)		
Transfers in	-	117
Transfers out	-	-
Total other financing sources (uses)	-	117
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(42)	117
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	(52)	(117)
FUND BALANCE (DEFICIT), RESERVED, END OF YEAR	\$ (94)	\$ -

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2004**

	Other	Total
REVENUES:		
Local sources	\$ -	\$ 12,989
State sources	-	132,657
Total revenues	-	145,646
EXPENDITURES:		
Current:		
Education:		
Salaries	-	10,313
Employee benefits	-	1,500
Purchased services	-	114,501
Supplies and materials	97	11,998
Capital outlay	-	2,899
Total expenditures	97	141,211
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(97)	4,435
OTHER FINANCING SOURCES (USES)		
Transfers in	407	531
Transfers out	-	(531)
Total other financing sources (uses)	407	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	310	4,435
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	2,290	41,024
FUND BALANCE (DEFICIT), RESERVED, END OF YEAR	\$ 2,600	\$ 45,459

SCHEDULE 3

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 TRUANTS ALTERNATIVE GRANT
 Year Ended June 30, 2004

	Budgeted Amounts	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	
REVENUES:			
Local sources	\$ -	-	
State sources	122,382	122,382	
Total revenues	122,382	122,382	2,399
EXPENDITURES:			
Current:			
Salaries	10,000	10,000	
Benefits	1,506	1,506	
Purchased services	99,876	99,876	
Supplies and materials	11,000	11,000	
Capital outlay	-	-	
Total expenditures	122,382	122,382	(313)
EXCESS OF REVENUES OVER EXPENDITURES	-	-	281
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	(239)	(239)	-
FUND BALANCE (DEFICIT), END OF YEAR	\$ (239)	\$ (239)	\$ 281